Austria	Sch22	Indonesia	Rp3200	Portugal	Esc120
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$US1.25	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rl$4.25	Thailand	Bht50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,537 — Friday May 13 1988 — D 8523 A

Philby: Spy in an indulgent society, Page 22

World News

Panama closes consulates in US

Panama said it had closed its consulates in the US due to what it called a campaign of bribery, harrassment and hostility by the US State Department.

Meanwhile Panamanian military leader Manuel Antonio Noriega demanded major concessions from the US, apart from dropping drug abuse charges against him, in exchange for his possible resignation.

Channel blockade ends

The blockade of ports on both sides of the Channel between England and France ended as UK seamen admitted a major setback in their ferry dispute. Page 8

Chinese jet hijack

Two men who used fake handgrenades to hijack a Chinese Boeing 737 left the aircraft and asked for political asylum after it landed at a military base in Taiwan. The aircraft, which had been intercepted by Taiwanese military jets, retured to China. Earlier report, Page 4

Cuban 'threat'

Angolan peace negotiations could be endangered by an alleged new build-up of Cuban troops in southern Angola, South African Foreign Minister Pik Botha warned. Page 4

Rome-Bonn pact

Italy and West Germany announced plans to increase defence co-operation and study possible joint military operations. Page 2

PLO challenged

King Hussein of Jordan challenged the Palestine Liberation Organisation to take responsibility for solving the Middle East conflict.

Officials sacked

Vietnam sacked three deputy prime-ministers whose job was to solve chronic economic problems and widespread food shortages.

Israeli air raid

Israeli aircraft attacked Palestinian targets in the Druze-held Shouf mountains south-east of Beirut.

Generals absolved

The Argentine Supreme Court absolved two senior army officers of responsibility for human rights violations, apparently yielding to political pressure from the Government. Page 6

Colombian pipeline hit

Left-wing guerrillas who last week kidnapped 15 foreigners and Colombian journalists blew up part of Colombia's main oil pipeline, halting pumping, state oil company Ecopetrol said.

Beirut truce holds

A Syrian-Iranian agreement resulted in joint supervision of a truce in Beirut after six days of inter-Shia conflict between the rival Amal and Hizbollah fighters in Beirut's southewrn slums. Page 4

AIDS virus theory

Research by US scientists indicated the AIDS virus probably hid in bone marrow where all new blood cells were formed.

Greek heat alert

The Greek Government announced measures including a broadcasting campaign and air conditioning in hospitals and ambulances to prevent a repetition of problems last summer when a heatwave killed 1,000 people.

Right is wrong for UK

A Spanish call for Britain to switch to driving on the right was dismissed by British socialists in the European Parliament who said it would cost billions of pounds (dollars) to alter the UK road network.

Business Summary

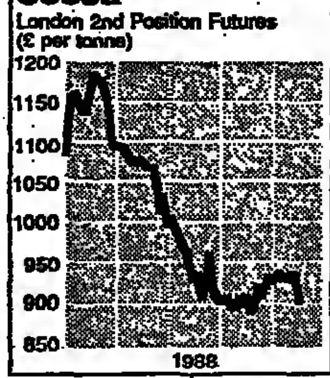
US company wins $700m BAe Airbus contract

BRITISH AEROSPACE placed a contract expected to be worth $700m to Textron Aerostructures, US aerospace company based in Nasbville, Tennessee, for the building of wing parts associated with the development of the Airbus A-330 and A-340. Page 22

GUINNESS, UK drinks group, is facing a potential claim by Ernest Saunders, its former chairman, of between £2m ($3.6m) and £3m for his alleged wrongful dismissal. Page 29

COCOA prices fell further on the liquidation of long positions, chart-inspired selling and new short selling following the entry into the market on Wednesday by Cameroun, Nigeria and Malaysia. The three-month position closed at £901 a tonne. Page 34

Cocoa
London 2nd Position Futures
(£ per tonne)



TOKYO: After a weak start, small-lot buying helped Tokyo turn higher again as the bond market made a late rally and brokerage houses moved in to pick np stock. The Nikkei average ended 51.53 points higher at 27,212.58. Page 46

WALL STREET: The Dow Jones industrial average closed up 2.15 at 1,968.00. Page 46

LONDON: A cautious start following Wednesday's sharp fall, but London regained its nerve and the FT-SE 100 index added 15.5 to 1,772.3. Page 42

DOLLAR closed in New York at DM1.6822; Y124.55; SFr1.3985; and FFr5.7055. It closed in London at DM1.6790 (DM1.6775); Y124.25 (unchanged); SFr1.3955 (SFr1.1935); and FFr5.6950 (FFr5.6900). Page 35

STERLING closed in New York at $1.8830. It closed in London at $1.8850 ($1.8870); DM3.1650 (unchanged); Y234.25 (Y234.50); SFr2.6300 (nnchanged); FFr10.7350 (FFr10.7375). Page 35

HEWLETT-PACKARD, major US vendor of office computer systems, and Northern Telecom of Canada have formed a joint development and marketing organisation for company-wide data and voice network systems. Page 23

US FEDERAL RESERVE chairman Alan Greenspan urged caution in moves to reform the regulation of financial markets in the aftermath of the October stock market collapse.

IMPERIAL Chemical Industries, UK chemicals company, continues to discuss the possible takeover of Norddeutsche Faserwerke, West German fibres producer, despite the blocking of the acquisition two months ago by West German Federal Cartel Office. Page 24

COMPANHIA VALE do Rio Doce, Brazil's biggest mining company which is excluded from international capital markets until the country reaches a foreign debt settlement, is to launch $300m in debentures next month. Page 26

BANCO Santander, big Spanish private bank, is poised to buy a 30 per cent stake in Italy's 11th-largest commercial bank, Istituto Bancario Italiano. Page 24

ISRAEL CHEMICALS, state-owned chemicals holding company, is seeking a share swap with leading American chemical groups, involving up to 49 per cent of its equity. Page 24

Shultz says hurdles cleared for arms treaty ratification

BY WILLIAM DULLFORCE IN GENEVA

MR GEORGE SHULTZ, US Secretary of State, said yesterday that he had reached "a completely satisfactory agreement" with Mr Eduard Shevardnadze, the Soviet Foreign Minister, on all issues blocking ratification of the Intermediate-range Nnclear Forces (INF) treaty.

He said that Lt-Gen Colin Powell, President Ronald Reagan's national security adviser, and Mr Maynard Glitman, the INF negotiator, were returning to Washington last night with a report that answered all the questions raised by the US Senate "carefully and properly."

The Senate decided on Monday to postpone indefinitely its debate on INF ratification until it had received satisfactory answers from the Soviet Union on 10 issues. Mr Reagan wants to exchange instruments of ratification with Mr Gorbachev, the Soviet leader, when they meet in Moscow on May 29.

Mr Max Kampelman, the chief US arms control negotiator and Mr Viktor Karpov, who is responsible for arms control in the Soviet Foreign Ministry, yesterday signed and exchanged diplomatic notes on "futuristic" weapons which should meet the Senate's concern that missiles equipped with lasers should be covered by the INF treaty.

Mr Shultz and Mr Shevardnadze at the start of the talks in Geneva yesterday

Mr Glitman and Gen Nikolai Cherbov, a senior Soviet arms control official, were dne to sign a document dealing with nine other technical issues raised by the Senate.

"I hope I have heard the last of INF in these ministerial meetings," Mr Shultz said. Mr Shevardnadze said be had not expected to be faced with such a panoply of new questions on INF but the answers had proved the viability of the treaty.

The way was now open for an "interesting, impressive" summit meeting with a great deal of accomplishments to be recorded, Mr Shultz said.

But there will be no agreement by then on the 50 per cent reduction in strategic nuclear missiles, which Mr Reagan and Mr Gorba-

Continued on Page 22

US considers $680m sale of bombers to Kuwait

BY NANCY DUNNE IN WASHINGTON

THE US Administration is expected to ask Congress to approve the sale to Kuwait of 40 F-18 Navy aircraft capable of penetrating deep into Iranian terrority.

The proposed deal, worth about $680m, could prove controversial in Congress, where the Administration has encountered repeated problems in gaining approval for the sale of sophisticated militray aircraft to Arab countries. Supporters of the proposal are likely to make much of Kuwait's status as a US ally in the Gulf – where US Navy warships are protecting re-flagged Knwaiti oil tankers – and of recent threats against it from Iran.

The Kuwaiti request for the advanced aircraft as revealed in testimony earlier this week by Mr Richard Murphy, Assistant Secretary of State. So far the F-18 has been approved for sale only to Canada, Australia and Spain.

The F-18 is the most advanced US fighter-bomber and is said to be compatible with other Kuwaiti equipment. Each aircraft is estimated to cost $17m, not including the costs of training, maintenance and parts.

The proposed deal reflects the Administration's desire to step up military exports to the Gulf as part of a general arms sales drive. However, it coincides with controversy in Congress over a $450m arms sale to Saudi Arabia following news of the Saudi purchase of intermediate-range missiles from China.

A State Department official said it was premature to speculate how Congress would greet the request. "The Kuwaitis certainly have a legitimate defence need," he said.

Senator Dennis DeConcini, an Arizona Democrat, has refused a personal appeal by the US ambassador in Oman, to support the sale of Stinger anti-aircraft missiles to Oman out of concern that the weapons could fall into terrorist hands.

An aide to the senator, a supporter of Israel, said the proposed sale of aircraft to Kuwait would be "s different story."

"The Kuwaitis are our good friends," he said, "and there is not much concern the F-18s would go astray."

Senator DeConcini last year persuaded Congress to approve a measure prohibiting the sale of Stingers to the countries in the Gulf region. The lightweight anti-aircraft missilea bave already fallen into Iranian hands, probably by way of Afghanistan.

Congress has allowed the sale of 70 Stinger missiles to Bahrain, but it insisted on an unusual buy-back provision. Bahrain is required to keep the missiles under close security and sell back to the US those that have not be used by June next year.

In his testimony on Tuesday, Mr Murphy urged Congress to approve the sale to Saudi Arabia of 200 Bradley fighting vehicles and 4,460 TOW-2 missiles. He said that if Congress refused the Saudis would go elsewhere for their weapons as they did when the US refused to sell them F-15s. They bougbt British Tornadoea instead.

Rowntree rejects meeting with Suchard to discuss merger

BY DAVID WALLER IN LONDON

ROWNTREE, the British-based chocolate company facing a £2.1bn ($3.9bn) takeover bid from Nestlé, has turned down the offer of a meeting with Jacobs Suchard, the Swiss chocolate and coffee group which holds just under 30 per cent of Rowntree's shares.

At the meeting Snchard intended to suggest a merger between its own chocolate interests and Rowntree, creating a new grouping with combined confectionery sales approaching £4bn ($7.5m).

But Rowntree, unaware of Snchard's detailed proposals, refused the meeting on the ground that it was inappropriate to hold talks while the Office of Fair Trading is considering whether to refer Nestlé's bid to the Monopolies and Mergers Commission.

Suchard's move is significant in that it is the first time it has given any indication of its thinking since it swooped to take a 15 per cent stake in Rowntree a month ago.

Then, it said that it intended to limit its holding in the UK company to 25 per cent and did not want to make a full bid within a year. It was released from these undertakings when Nestlé made its bid on April 24, and subsequently increased its holding to the bid threshhold of 29.9 per cent.

"We wanted to offer some sort of partnership," a spokesman for Suchard said yesterday. He added that Suchard was now reviewing its options after the latest rebuff from Rowntree.

Suchard would have proposed what amounts to a reverse takeover. It would have sought the approval of Rowntree's board for a scheme whereby Rowntree shares would be issued to Suchard in return for Suchard's confectionery business, believed to account for half of its turnover.

Together with its existing 29.9 per cent stake, Suchard hoped to be left with just over 50 per cent of the shares in the new grouping. Such a scheme would require the approval of Rowntree shareholders.

Mr Peter St George, a director of County NatWest, advisers to Nestlé, commented last night: "It sounds like a backdoor bid approach. The board would have to justify it as being better for Rowntree shareholders than the Nestlé's bid."

In the market, Rowntree's shares slumped below the 900½p offer price for the first time since the Nestlé bid, ending the day 24p down at 890p. This was in part attributable to increasing fears that the bid will be referred to the MMC, but also reflects the fact that Nestlé abstained from buying more shares. It now holds some 15 per cent of the company.

Thatcher declines to endorse Lawson's rate policy

By Simon Holberton and Peter Riddell in London

MRS MARGARET Thatcher, the British Prime Minister has apparently again shown unwillingness to endorse the current strategy of Mr Nigel Lawson, the Chancellor of the Exchequer.

The Government's difficulties with the exchange rate were also underlined yesterday by the Bank of England, which said in its quarterly economic review that the present combination of a higb exchange rate and lower interest rates did not represent an ideal response to current concerns and that a different balance would be desirable.

This was a clear indication that the Bank would prefer the exchange rate to be lower and interest rates higher. Its inability to achieve this outcome is of concern to the authorities, who have had to wait for the markets to allow them the move.

Meanwhile, in Parliament, Mrs Thatcher repeatedly declined the opportunity to endorse the views of Mr Lawsou about exchange rate stability. However, unlike their public airing of differences two months ago, she refrained from stating her own approach.

Mr Neil Kinnock, the opposition Labour leader, later accused Mrs Thatcher of "treachery" to Mr Lawson. He said her "vendetta" was "very damaging for the British economy" by creating uncertainty.

Earlier, Mr Lawson parried questions on exchange rate and interest rate policy. "It is a very foolish government that refrains from intervention in the foreign exchange markets in all circumstances."

Mr Kinnock pressed Mrs Thatcher to say whether she agreed with Mr Lawson's view that sterling should not appreciate further. She avoided the specific point, and instead praised Mr Lawson's handling of the economy – for combining low inflation with "excellent" economic growth – and urging MPs to look at "the total picture."

The exchanges, conducted with strained good humour, reflect the unnsual agreement to differ between Mrs Thatcher and Mr Lawson. From the Treasury point of view there was the consolation that Mrs Thatcher had not repeated her previous views and had followed Mr Lawson's preference for being careful about what is said publicly.

In its bulletin, the Bank of England made it clear it believed that exchange rate stability was subordinate to the aim of fighting inflation. Conditions in early

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Bulletin details, Page 10

Rocard offers no top posts to centre-right

BY IAN DAVIDSON AND PAUL BETTS IN PARIS

THE FRENCH Government headed by Mr Michel Rocard contains few surprises and no major representatives of the centre-right.

As expected the Finance Ministry goes to Mr Pierre Beregovoy, who was Finance Minister in the Fabius Government of 1984-86. His appointmeot is likely to be well received in the markets and the financial sector and by the European Community.

In a cabinet otherwise mainly composed of leading figures from the Socialist Party, the only significant innovation is the appointment to the Industry Ministry of Mr Roger Fauroux, former chairman of the Saint Gobain glass-making group and currently head of the prestigious Ecole Natiooale d'Administration.

The fact that Mr Rocard has failed substantially to enlarge his political base in the National Assembly seems likely to force early general elections, since the socialists and their allies are short of a parliameotary majority.

Several leading centrist politicians have welcomed President François Mitterrand's desire to make overtures towards the ceotre, but tbey bave explicitly refused to enter into any compact with the Socialist Government at this stage.

The two-day delay in forming the Government since the appointment of Mr Rocard as Prime Minister has been widely connected to the sudden emergence of a contest for the leadership of the Socialist Party machine. Mr Laurent Fabius, and Mr Pierre Mauroy, both of them former socialist Prime Ministers, are competing for the succession to Mr Lionel Jospin as First Secretary of the Party.

In terms of cabinet seniority the top position has gone to Mr Jospin, who has just stepped down after seven years as First Secretary, and becomes the most senior Minister of State, in charge of Education.

Mr Rocard has always made education one of his top priorities, and once said that the Education Minister should also be Prime Minister.

Mr Mitterrand will chair the first cabinet meeting of the Government this afternoon, and later this evening a caucus of the Socialist Party will attempt to settle the succession to Mr Jospin, to avoid a potentially damaging open vote in the plenary session of the directing committee of the party scheduled for tomorrow.

The contest symbolises the long-standing tensions between the old guard of the Socialist Party, represented by Mr Mauroy, and the modernisers who wish to move it in the direction

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Indian troops prepare for assault in Punjab

BY JOHN ELLIOTT IN AMRITSAR

INDIA'S commandos are preparing contingency plans to storm about 60-80 Sikh extremists in the Golden Temple of Amritsar within the next three or four days.

They will carry out the operation unless a way is found to defuse tbe tension which has built up around the ancient Punjab shrine since Monday, when a senior police officer was shot and injured.

Extremists and commandos face each other from sandbag and brick emplacements on rooftops inside and outside the temple complex. The security forces have guns trained on all corners of the temple courtyard and sacred pool, and have orders to shoot anyone with a gun.

There was sporadic shooting yesterday wben three people were believed to have been killed inside the temple and a policeman was wounded.

Mr Jasbir Singh Rode, the shrine's chief high priest, was arrested early yesterday morning with 29 other priests and activists when he tried to return to the shrine in violation of a four-day curfew in the walled city which surrounds the temple.

This move followed negotiations on Wednesday between the high priests and police chiefs. The police were worried that Mr Rode, who is trying to organise a peace deal for the Government, might be shot by extremists if he returned to the temple.

This is the most tense situation to develop at the temple – the Sikhs' most sacred shrine and a hideout for extremists – since a full-scale army assault was launched in 1984. Up to 1,000 people died in that operation which sparked widespread resentment and anger among Sikhs and led to the assassination five months later of Mrs Indira Gandhi, then Prime Minister, by her Sikh secu-

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HUNGARY'S PARTY MONOPOLY FACES CHALLENGE

Leader Janos Kadar must answer the insistent demand for wide-ranging reforms, Page 22

European car sales slide after 15-month bonanza

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

CAR SALES in western Europe fell 3.2 per cent in April, the first monthly decline since January 1987 in the prolonged European car boom, which took registrations to record levels in 1986 and 1987.

For tbe first four months of 1988 new car registrations were 6.2 per cent higber than a year earlier at 4.57m vehicles, but some leading car makers now expect sales in the whole of 1988 to fall short of last year's peak of close to 12.4m vehicles.

According to indnstry estimates the rate of growth in sales slowed in March and in April as registrations fell to an estimated 1.18m units from 1.22m in the corresponding month a year earlier.

Sales fell in April in three of the hig volume markets, West Germany (-7.4 per cent), France (-1.0 per cent) and Spain (-5.1 per cent), while in Italy sales grew by only 2 per cent following a jump of 13.4 per cent in the first quarter.

The UK remained a major exception among the big volume markets with sales in April jumping a further 8 per cent.

Industry estimates show that car sales in April were also lower than a year ago in several of the smaller Enropean markets including tbe Netherlands, Belgium and Luxembourg, Portugal, Denmark, Norway and Ireland.

Industry forecasts suggest that the expected slow-down in sales this year will only be slight, but according to tbe latest world motor industry forecast from Data Resources (DRI), West European car sales will show a sharper decline next year of around 5.4 per cent.

Fiat of Italy still holds a commanding lead at the top of the European car sales league with an estimated market share of 15.7 per cent for the first four months of the year, but Volkswagen of West Germany, the leading European car group in 1987, is slowly closing the gap.

VW (including Andi and Seat) bolds around 14.3 per cent of the European car market after the first four months of the year, but in April alone it captured a share of 15.4 per cent just edging Fiat into second place with 15.0 per cent.

The biggest gain in sales has heen achieved by Pengeot of France whicb increased its volumes by 14 per cent in the first four months to 583,000 and has firmly established itself in third place after ousting Ford from this position last year.

Peugeot captured 12.8 per cent of West European new car sales in the four months to the end of April compared with a market share of 11.9 per cent in the same period a year earlier.

The only car makers to rival the volume growth of the Peugeot gronp, whicb includes Citroen, in West Europe are Fiat, the current market leader, BMW of West Germany and Nissan of Japan.

Fiat increased its sales volume in the first four months by 10.1 per cent to 717,000, while BMW boosted sales hy 13.4 per cent to 116,800, and Nissan, halped by growing output from its car assembly plant at Sunderland in nortb-east England, increased its new car sales by 13.2 per cent to 127,000.

Overall Japanese car makers have increased their sales so far this year hy 7.3 per cent to 495,000 giving them a European market share of some 10.8 per cent, a marginal increase from last year.

WEST EUROPEAN NEW CAR REGISTRATIONS - JANUARY/APRIL 1988

	Volume	% Change	Share (%) Jan/Apr1988	Share (%) Jan/Apr1987
Total market	4,568,000	+6.2	100.0	100.0
Fiat (including Lancia & Alfa Romeo)	717,000	+10.1	15.7	15.1
Volkswagen (including Audi & Seat)	652,000	+3.9	14.3	14.6
Peugeot (including Citroen)	583,000	+14.0	12.6	11.9
Ford	515,000	+3.4	11.3	11.6
General Motors (Opel & Vauxhall)	466,000	+2.2	10.6	11.1
Renault	475,000	+4.2	10.4	10.6
West Germany	952,000	+0.5	20.6	22.0
Italy	833,000	+11.4	18.2	17.4
United Kingdom	751,000	+10.3	16.4	15.8
France	728,000	+5.9	15.9	15.9
Spain	348,000	+16.6	7.6	6.6

Source : Industry estimates

EC initiative on workers' rights

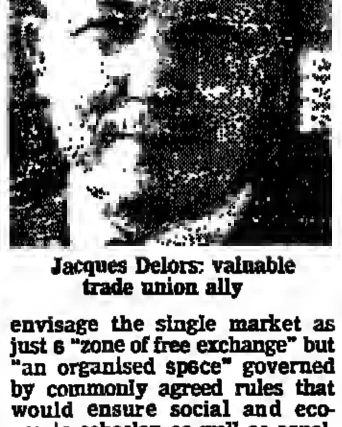
BY ROBERT TAYLOR IN STOCKHOLM

MR JACQUES DELORS, the European Commission's President, launched a social initiative for the EC yesterday when he spoke at the European Trade Union Confederation Conference in Stockholm. He intends to press three specific proposals at the European Heads of Government Summit in Hanover next month in the hope of stimulating their interest in developing a social dimension in the move towards a free internal market by 1992.

These involve:

- The introduction of what he called a "minimum threshold of social rights" for workers to be negotiated between the European unions and employers.
- The right of every worker in the EC to permanent training based on a system of credits over a lifetime.
- Changes in Community company law to develop worker participation in decision-making based on a series of options which will include the West German system of co-determination, factory committees as in France, Italy and Belgium and Swedisb-style collective bargaining.

The union delegates in Stockholm regard Mr Delors as a valuable ally in the trade union efforts to gain greater influence as a lobbying force inside tbe EC. His sympatbetic speech with its evident concern about Europe's high level of unemployment and his commitment to specific proposals for reform at Hanover won him wide acclaim among union leaders.



Jacques Delors: valnable trade union ally

The president argued that the movement to a single market by 1992 would not he achieved unless the EC created many more jobs and cut unemployment over the next few years. Mr Delors made it clear that he did not envisage the single market as just a "zone of free exchange" but "an organised space" governed by commonly agreed rules that would ensure social and economic cohesion as well as equality of opportunity for all.

Admitting that so far efforts to give a social dimension to the EC had produced "feeble results", he went on to say that he was convinced that the objective of 1992 would not succeed unless it was based upon co-operation with the European unions.

Mr Delors also took the opportunity of his visit to Stockholm to reassure the Swedish Government that its traditional commitment to political neutrality would in no way injure future good relations between the EC and Sweden. Sweden'e Prime Minister, Mr Ingvar Carlsson, is due to see Mr Delors in Brussels next Monday during his European tour, which is designed to explain Sweden's concern to develop a positive attitude towards the EC.

Warning on 1992 for Greece

By Andriana Ierodiaconou in Athens

THE NEW leaders of the Federation of Greek Industries, elected during yesterday's annual general assembly, have warned that Greece will not be able to rise to the challenge of the 1992 single European market unless industry stops relying on state subsidies and labour accepts that more pay must depend on more work.

These home truths were delivered by Mr Leon Melas, 61, new president of the federation's board of directors, and Mr Stellos Argyros, 43, new executive committee president. The two men will lead the federation in tandem, replacing Mr Theodore Papalexopoulos, who served as president for the last six years.

"The snccessful businessman must be rewarded. But the one who fails cannot expect to be saved through the intervention of the state," Mr Melas stressed. Turning to labour be said that pay should not be a "metaphysical concept, unrelated to the qnality of the work produced".

Mr Argyros called in particular for a radical reform of Greece'e substandard system of higher education which "does nothing to familiarise the student with the principles of life and work in an industrial or entrepreneurial environment."

On the hrighter side, the federation's outgoing president hailed the two-year economic stabilisation programme introduced by Greece's Socialist government st the end of 1985, which has led to a recovery in private industrial investment. This registered an 18 per cent increase in 1987 relative to the previous year and is expected to go up by a further 62 per cent this year.

Tension high as Soviet troops begin Afghan pull-out

THE SOVIET Defence Ministry newspaper said yesterday troops leaving Afghanistan were endangered by foreign supporters of the anti-Communist rebels who had brazenly stepped up weapons shipments and sent more advisers to assist in armed provocations.

Krasnaya Zvezda (Red Star) reported in a front-page dispatch from its military correspondents et Soviet headquarters in Kabul that an atmospbere of tension has been created around the withdrawal that begins on Sunday.

"Tbey are facing 1,500 kilometres of mountainous, war-torn roads. And we know very well that roads in Afghanistan are on the forward edge of the undeclared war. It is necessary to be prepared for the possibility of armed provocations."

The newspaper said rebel activity has been stepped up in Kabul, Kandahar, Gbazni, Paktia and other provinces on the eve of the Soviet withdrawal.

"Taking advantage of the pull-back of Soviet and Afghan troops from border areas of those regions in the depth of the country, the opposition and its foreign patrons have sharply increased the nnmber of caravans with weapons, delivering them not only at night now bnt also in the daytime," Krasnaya Zvezda claimed.

"In the military formations there has been a noticeahle growth in the number of foreign military advisers, who organise joint actions by groups from different Moslem parties," the newspaper said.

Krasnaya Zvezda said the preparations for withdrawal were nearly completa at the Kahul headquarters. The dispatch did not make clear, however, how many would leave in the first march north or when the headquarters base would be evacuated.

It said the first to leave will be motorised rifle regiments, paratroopers, scouts and pilots, but gave no other details.

Afghanistan has been in the throes of civil war since April 1978, when a Soviet-inspired revolution brought a Marxist government to power in the Moslem nation.

Soviet soldiers intervened in December 1979 to instal Babrak Karmal as leader and to belp troops loyal to the government pnt down widespread insurrection.

Karmal was replaced by President Najib in May 1986 and has since taken refuge in the Soviet Union.

Romania refugees find sanctuary in Hungary

Judy Dempsey looks at the plight of ethnic Hungarians fleeing from Transylvania

OVER the past three months a steady flow of people has turned up at the headquarters of the Reformed Cburch in Dehrecen, eastern Hungary.

The pastors welcome them. Instead of delivering sermons about redemption, the staff at the church distribnte food, cinthes and money and, with the help of the Debrecen city council, try to find jobs for the newcomers.

They are ethnic Hungarians, Europe's largest minority, wbo live in Transylvania, northern Romania. "We have had enough," ona young mother said. "At home, my child cannot learn Hungarian, so I have decided to seek permission to live in Hungary." In recent years, she said, pressure hy the Romanian authorities to suppress the ethnic identity of the Hungarian and other minorities through forcible assimilation has increased. "I have left out of despair and sadness," she said.

Since January, several thousand ethnic Hungarians have crossed the border into Hungary. Some do so illegally, crossing by night the *zold mezo*, a large stretch of woody and grassy land which divides the two countries. Others arrive legally on Romanian passports, many of which are valid for only a few weeks. But they have all one thing in common: they do not want to return to Romania.

"Our cnlture is being destroyed," one young man said. "If I want to work, I cannot speak my own language. I must speak Romanian. The situation there, apart from the food shortages, is becoming impossible."

Since Debrecen is just across the border, the majority of the refugees arrive in this old, elegant Protestant town, the capital of eastern Hungary. Here they are processed by the local authorities. Those who have no relatives are sent to a well-run hostel on the outskirts of the town where they are looked after for one week.

The flow of refugees from one Socialist country into another is an extraordinary phenomonen and the Hungarian anthorities are not quite sure how it will end.

Since the beginning of the year, over 8,000 ethnic Hungarians have sought permission to remain in Hungary. So far, 2,000 residence and work permits have been granted. The rest are waiting.

As the summer approaches, officials are expecting more peopla to remain in Hungary. Already 120,000 tourists from Romania have crossed into the country.

For the moment, many have found jobs in and around Debrecen. But others have gone to Budapest and eventually end np at one of the large Reformed churches in the east of the city. The church has been turned into a community centre and citizens' advice bureau.

The walls are covered with posters and information about housing and jobs. On Friday evenings, the local factory managers turn up to interview job bunters. The managers even return on Sunday when the church is packed to hear "visiting" guests deliver the weekly sermon. Recently, a professor from the Hungarian Academy of Sciences delivered a half-hour lecture on the history of Transylvania, whicb many Hungarians regard as the cradle of Hungarian culture.

For the moment, the ethnic Hungarians are welcome. Every third Hungarian has a relative living in Transylvania which, until 1918, was part of Hungary, and they know the difficult economic conditions, the situation facing the ethnic minorities and ordinary Romanians under the iron rule of Mr Nicolae Ceansescu, the Romanian president.

Hut the Hungarian authorities are going to face problems. The Government recently granted a forint 300m ($60m) resettlement fund to provide shelter, education and health for the refugees. It will not go far. They know that housing the new arrivals will strain the already serious housing shortage and might stir resentment among those Hungarians who have been waiting years for a roof of their own.

In the meantime, some of the newcomers are getting itchy feet. "I don't want to stay on in Hungary," one 19-year-old ethnic Hungarian student said. "I want to go to the West."

The official policy is that Hungary should not become a transit country. "Ws are a small country of 10m. There are too many Hungarians scattered throughout the world. The ethnic Hungarians ahould remain here," a senior official from tha Ministry of the Interior said.

But refugees who want to emigrate to the West find their Romanian passports are useless travel documents. Although the first page of the passport says "valid for travel in all countries," the second page has a large stamp which saye, "for travel only in the socialist countries." No western embassy will grant a visa on that basis.

Nor will the Hungarian authorities grant immediate citizenship to ths refugees which would enable them to cross to neighbouring Austria or Sweden, the two conntries which do not require visas.

But officials are trying to discourage the refugees from settling in Hungary if they have left their families behind. "We now have an additional problem. We cannot just pick up tha phone and ask our Romanian colleagues to grant passports to tha families who stay behind. It is very difficult," an official said. The Hungarian Red Cross is now involved in these delicate negotiations, but relations with Romania are far from good.

"To tell you the truth, we don't know what will happen," a senior foreign policy expert said. "Now that we have started allowing the ethnic Hungarians to remain here, we cannot close the borders.

"Yet, since the Romanian authorities continue to suppress the Hnngarian culture and its own people, we expect more and more people to come here. All we can hope for is that when the present Romanian leadership changes its policies or comes to an end, we might have normal relations and people might return home."

Turkish crackdown on Kurd rebels

SECURITY forces detained two suspected rebels and 33 civilian supporters in south-eastern Turkey after a seriee of hloody attacks launched by the Marxist Kurdish Workers Party (PKK), Reuter reports from Ankara.

Twenty-five villagers were killed north of the Iraqi and Syrian borders last weekend by members of the PKK seeking autonomy for Turkey's estimated 8m Kurds and the eventual establishment of a Communist government in Ankara.

Security forces discovered 17 rebel cave hideouts in Mardin and Adiyaman provinces after the latest violence, which brought to more than 1,000 the number of people killed in the PKK's four-year-old campaign.

Turkey has boosted security in the sonth-east, where about 200,000 soldiers, mainly conscripts, are supported by paramilitary gendarmes and police trained in Western counter-insurgency techniques.

Most rebel attacks are in border areas, where the rugged terrain often hampers security forces. Gnerrillas also operate 300 km (190 miles) to the north in eastern Anatolia.

Informed sources say there are about 400 rebels inside Turkey and more in Syria, Iraq and Iran.

Diana Smith reports on the consequences of decisions taken during the 1975 revolution

Lisbon faces reform of constitution

THE TIME: 1975-76. The place: Portugal. The goal: a constitution to put Portugal on the road to socialism.

West Europe's most revolutionary constitution was passed by tbe Constituent Assembly in April 1976, a year after Communist-driven seizures of banks, factories and land were made law by the Revolutionary Council of the Armed Forces.

In the Assembly the driving force was the hardline Communist party with only 16 per cent of seats hnt the disposition to make Portugal scarcely tolerant of private enterprise.

Above the clamour for socialism, democratic in the case of the socialists, imposed hy the vanguard in the cased of the Communists, the objections of Christian Democrats and Popular Democrats (later renamed Social Democrats) were hardly heard.

Thus the constitution preached state planning, prodnction units managed by workers' collectives, collectivist agrarian reform and abolition of large estates with state aid to workers' collectives and co-operatives, taxes promoting "egalitarian distribntion of wealth and income," atate "rationalisation of commercial distribution circuits and control of prices.

And, etipulated in Article 290, laws revising the Constitution shall not detract from the principle of collectivisation of the main means of production, land and natural resources and abolition of monopolies and large estates.

This constitution was revised in 1982. Parliament, led hy a coalition of Social Democrats and Christian Democrats concentrated on reducing powers of intervention of the President of the Republic (then a general) and on abolishing the Revolutionary Council, a prickly reminder to many civilians of the brief hegemony of naïve military in 1974-75.

In the 1975 Constituent Assembly election – Portugal's first free election in 50 years – voters ignored appeals to reject political parties and let the military run their fledgling democracy. However the Revolutionary Council was endorsed by the 1976 Constitution as a watchdog.

In 1982 non-Communist politicians clipped the wings of the military hut did not tackle the constitution'a economic content, leaving this for the next revision due in 1987.

The overdue revision is creeping closer. The ruling Social Democrats (PSD) ewallowed a grain or two of the pride they have displayed since winning in July 1987 the first landslide majority in Portuguese history, and invited the Socialists – second largest party – whom they snubbed for months, to discuss constitutional reform.

Article 80: Socio-economic organisation shall be based on the principles of: A. Subordination of economic power to democratic political power . . . C. collectivisation of the principal means of production, land and natural resources . . . F. Intervention of the workers.
Article 83: All nationalisation measures carried out since April 25 1974 are irreversible conquests by the working classes.
Article 85: 2. The State shall intervene temporarily in the management of private firms to ensure the common interest, and rights of the workers under conditions determined by law. 3. Basic sectors in which the activity of private firms and similar bodies is prohibited shall be defined by law.
Article 86: Economic activity and investment by foreign individuals or companies shall be regulated by law.

Constitutional change needs approval by two thirds of the 250 seats. The PSD's 148 seats are too few.

The PSD wants to excise articles promoting collectivisation and maintenance of nationalisation, and erase the dogma, producing a briefer, flexible constitution.

The Socialists led by Mr Vitor Constancio, formerly the market minded Governor of the Bank of Portugal, share the urge to reduce dogma. They have changed since 1976-82 and no longer preach sanctity of nationalisation – as long as moves to privatise state property are vetted hy parliament and preferably, approved hy two thirds of deputies.

Paraconstitutional laws, outside the constitution but important enough to require two thirds majorities, are key points of Socialist proposals.

The review, due this year or next, is crucial to the end of excessive state interference in the small, vulnerable economy, of the implicit threat to free private enterprise and of the belief that foreign investment can be monitored as it was until Portugal's EC accession demanded a more relaxed approach.

Most parliamentary parties feel it is hard for Portugal to be an effective Euro-partner with its present constitution.

Outside parliament, now and then comes an faint echo of chants – "The land is for those who work it" or "Now you see the force of the PC [Communist party]" – that rang out in revolutionary 1975

Tass praises Philby's 'internationalist duty'

THE official Soviet news agency Tass yesterday hailed Britisb master spy Kim Philby as "a remarkahle Soviet intelligence agent." Renter reports from Moscow.

In the first Kremlin confirmation that Pbilby had died, it described the one-time head of the Soviet department in Britain's intelligence service as a man "wbo had a high sense of his internationalist duty".

Tass said he died on Wednesday. His son John was reported yesterday to have left London on a Soviet airliner to attend bis father's funeral in Moscow.

Philby fled to Moscow in 1963 after 30 years working as a Soviet epy while serving as a British intelligence officer, diplomat and later journalist.

The Tass ohituary confirmed that he held top Soviet awards, including an Order of Lenin, an Order of the Red Banner and an Order of the Grest Fatherland War. The last was normally given to senior Soviet officers who fought in World War Two.

"The long years of secret war waged by Kim Philby, a man wbo had a high sense of his internationalist duty, began back in the 1930s and were against fascism," the obituary said.

"The multifaceted heroic work of the veteran Soviet intelligence agent, whicb was also broad in the geographic sense, was carried out on the territories of a number of European states as well as of countries of the Middle and Near East," it added.

The ohitusry also confirmed that Philby, who was 76 and married to a Soviet woman, continued to work for Soviet intelligence after arriving in Moscow in 1963.

"Having carried out a new mission, Kim Philby came to Moscow where he continued the work tbst had become for him the meaning and purpose of his entire life," it said.

Some reports in recent years have said be was a general in the KGB, hut the obituary made no reference to his rank. Tass said that "as an intsrnationalist, Philhy loved his own English people, highly valued its spiritual ricbes, and believed in its happy future".

Change of Maltese ruling party fails to pay economic dividends

BY GODFREY GRIMA IN VALLETTA

MALTA'S Christian Democratic government of Premier Dr Eddie Fenech Adami yesterday celebrated its first year in power withont the island's daunting economic and political problems ehowing any significant sign of receding.

Dulled by etagnated axports growth and a tepid flow of foreign industrial investment, whila the need to curb unemployment and whip np export receipts remains urgent. Malta's economic performance appears to have henefited little from the cbange in government from socialist to conservative a year ago.

Politically the island remains acutely polarised. Many, particularly within the ruling Nationalist Party camp, are disappointed with the soft-shoe shuffle strategy with which the island'e arduous problems have been tackled dnring the past 12 months. Attempts to dismantle the economic, social and political framework installed by the previous socialist administration throughout its uninterrupted 16-year rule have been few and feeble.

Central to Malta'e exporting problems remains an overvalued currency which the new government sbows no inclination to devalue.

As a result export growth stalled. The island's respected Federation of Industry last week complained that tbe currency and additional state induced costs, including increased puhlic holidays, have chipped away further at Malta's competitiveness as an industrial base.

An attempt to liberalise imports was summarily cut short recently following an outcry by trade unions and Maltese companies producing exclusively for the domestic market employing anything from 4,000 to 7,000 people. The flotation of successive treasury stocks by a government claiming to be strapped for cash has rocketed the uational debt to £M97m (£155m) from £M67m a year ago. Sensitive concerns – including commercial banks, telecommunications, broadcasting and energy – roped into the public sector by the rival socialists have remained under state control despite the government's liberal stance.

With tbe unions and the Labour Party dead set against privatisation, it is doubtful these will ever fall into private hands. The new government's foreign policy also seems to differ little from that of its predecessors. The stated intention to forge closer links with the US and Western Europe has brought little concrete economic assistance

During the past 12 months Premier Fenech Adami has been careful not to sour the island's relations with the Soviet Union, with whicb Malta shares a $600m three-year trade reciprocity accord, nor Libya, traditionally a valuable trading partner. This morning the Nationalist Party ran a full page advert in tbe island's mass circulation morning daily The Times listing the social, political and economic gains made hy the new government. The universal reaction is that most achievements are more imagined than real.

Italy and W Germany plan defence links

ITALY and West Germany are to study ways of stepping up co-operation between tbeir armed forces, but this is unlikely to take the form of a joint brigade like the French-German one agreed last year, writes **Alan Friedman in Milan.**

This was a key ontcome of talks in Rome yesterday between Prime Minister Ciriaco De Mita and Chancellor Helmut Kohl.

The talks led to an agreement to strengthen bilateral ties in several areas including economic, technological, scientific and ecological spheres. This is to be co-ordinated by two "directors for Italian-German relations" who will he appointed by the Italian and German governments.

The Rome summit, in which tha German and Italian leaders were accompanied hy their foreign, defence and finance ministers, dwelt heavily on prospects for European unification. An aide to Mr De Mita said the military co-operation was only one part of a broader series of bilateral initiatives to he taken and that all forms of hilateral co-operation must be seen as part of the project to improve overall European integration.

Italian and West German foreign and defence ministers plan to hold a regular series of meetings to work out common positions on security, disarmament and East-West dialogue. Mr De Mita also said he plans to visit Bonn in the near future, although a date has not been fixed.

Polish farmers stage rural Solidarity demonstration

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH farmers demonstrated in Warsaw yesterday in support of the banned rural Solidarity union.

Mr Zbigniew Rokicki, one of the farmers' leaders, told bundreds of supporters attending s service at Warsaw Cathedral to mark the anniversary of the union's recognition in 1981 that they had a natural right to an organisation to defend their interests and appealed for aid to workers who had suffered as a result of recent strikes in Gdansk and Krakow.

He said several activists had been detained to prevent them attending the mass said by Bishop Wladyslaw Miziolek, who said ths Catbolic Church strongly supported the group.

Mr Rokicki said rural Solidarity in five provinces had asked the local euthorities for meetings to discuss demande for equal

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Pakistan, India to hold talks over land dispute

PAKISTAN and India will resume talks on normalising relations next week after a two-year gap and only days after the start of a Soviet troop withdrawal from Afghanistan, Reuter reports from Islamabad.

Mr Rana Naeem Mahmud, Pakistani Minister of State for Defence, said yesterday that Mr S.K. Bhatnagar, the Indian Defence Secretary, would have two days of talks on May 19 and 20 with Mr Ijlal Haidar Zaidi, his opposite number.

An Indian embassy official said the talks would focus on the Siachen glacier, a disputed area in the Karakoram mountains just south of the Chinese border and in the north of Kashmir in the far north west of India.

Since 1984 troops from both sides have played a dangerous game of cat and mouse along the 6,000 metre high ridges of the glacier. Mr Mahmud said that clashes between the countries' forces there were routine.

Western diplomatic sources said that the talks were significant, because they reopened just before the Soviet Union, an old friend of New Delhi, starts to withdraw from Afghanistan on May 15 under a four-nation accord which includes Pakistan, Afghanistan, the United States and the Soviet Union.

Although remote and isolated, the disputed Siachen glacier is one of the strategic points in a region where the respective borders of the Soviet Union, China, Pakistan, India, and Afghanistan converge.

Historically, the area has always been a meeting place of cultures and commands one of the main East-West routes along the Karakoram highway, now running from Pakistan into China.

The long finger of Afghanistan's Wakhan corridor stretches out to the northwest toward this region.

This would be the third round of normalisation talks. The first and second were held in January and June, 1986.

In early 1987, both sides started a troop build-up along their southern borders but later agreed to stand down.

Since the partition of British India in 1947, India and Pakistan have fought three wars.

British Aerospace places $700m contract in US

BY PETER MARSH IN LONDON

BRITISH AEROSPACE yesterday placed a contract expected to be worth $700m to Textron Aerostructures, a US aerospace company based in Nashville, Tennessee, for the building of wing parts associated with the development of the Airbus A-330 and A-340.

The announcement comes about a year after BAe obtained a promise of £450m ($856m) from the Government to defray the programme's development costs. It is expected to lead to criticism that an overseas company is sharing in the benefits of the launch aid.

BAe, which is cutting its UK workforce of 89,000 by 5,000 over the next 18 months, said the decision to award such a large overseas contract followed the need to reduce costs and share the risk in developing the aircraft.

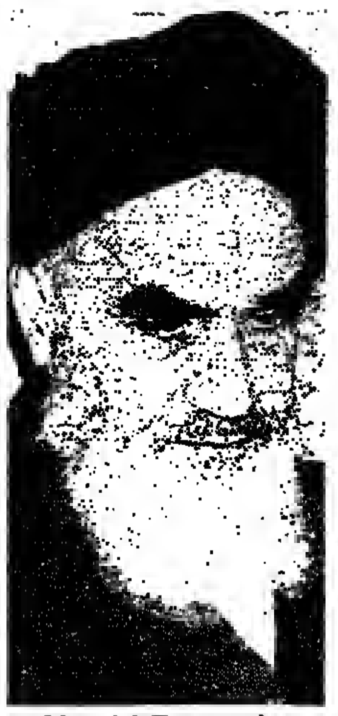
Due to currency movements it said that manufacturing some sections of the wings in the US rether than in Britain was likely to be cheaper.

It also wanted to ensure, as a hedge against further currency fluctuations, that a significant proportion of the development was paid for in dollars, the currency likely to apply to most of the future sales in the 1990s.

BAe has a 20 per cent stake in the European Airbus consortium, the other partners being MBB of West Germany, France's Aerospatiale and Casa of Spain.

In the development of the A-330 and A-340, likely to be flying in the early 1990s, BAe is mainly responsible for the wing structures. Assuming sales of 600 aircraft in the next 15 years, it expects contracts worth some $5bn.

Radical factions ascendant as Iranians vote



Khomeini: Has come down *clearly on one side*

BY SCHEHERAZADE DANESHKU

IRAN IS going to the polls today for the second round of what has proved to be the most fiercely contested election campaign since the establishment of the Islamic Republic nine years ago.

The new Majlis (parliament) will convene against the background of a series of rulings issued by Ayatollah Ruhollah Khomeini, Iran's spiritual leader, which pave the way for a radical reform programme but which have also resulted in a period of change and uncertainty. The first round of the elections five weeks ago has confirmed this trend. Political parties were abolished two years ago; instead radical and conservative groups issued lists of recommended candidates for the voters.

Out of a total of 270 seats, 188 were decided, with the candidates of the radical groups winning most of them. The second round will determine the remaining seats from among candidates who failed to secure a clear victory first time round.

*The campaign has already wit*nessed the break-up of the main conservative group, the Association of Militant Clergy. A number of its members, frustrated by the group's conservative stance on economic issues, broke away to form a separate organisation, the Militant Clergy of Tehran.

The split reflects similar moves by the radical faction within government, and underlines the scope for greater personalisation of allegiances in the absence of party politics.

The Ayatollah himself has, for the first time in years, come down clearly on one side. He has strengthened the position of anti-capitalist groups who favour increased state intervention in the economy by urging the voters to reject "those who are defenders of capitalist Islam. . . in short, American-style Islam," and instead to endorse those candidates who "have *experienced the* bitter taste of poverty and who are defenders in deeds and in words, of the Islam of the barefooted of the earth, the Islam of the deprived and the meek".

The demand for a radical economic re-think has come from the *hizbollahis* (partisans of God), the ideological supporters of the Government. They have shown themselves to be impatient with the Government's promises that economic problems, such as rising inflation, worsening housing conditions and the scarcity of household goods, would be solved once the war with Iraq had ended.

Since Khomeini's ruling in January by which the state is allowed to adopt radical measures even though these might contravene Islamic law, some bills vetoed by the conservative Council of Guardians, which vets legislation to see that it accords with Islam, have been resubmitted to the Majlis. These include a bill on distribution, which aims to prevent *hoarding* and *eliminate* middlemen, and one essentially providing for the nationalisation of foreign trade.

If the Council of Guardians continues to veto legislation, then a new legislative body, the Council for the Expediency of State Decrees, is expected to *break the economic policy paralysis*.

The Council – made up of six members of the original Council of Guardians and seven prominent politicians, including President Ali Khamenei and Majlis speaker Ali Akbar Hashemi Rafsanjani – is a mix of conservatives and reformists, and as such cannot be expected to guarantee a consistent passage of radical legislation, though in general such legislation is likely to be favoured.

An important consequence of economic measures of the sort proposed has been to radicalise the political atmosphere. This has meant a resurgence of militancy towards the West and the Gulf states on questions of foreign policy, and the war in particular – attitudes compounded by recent Iranian setbacks on land and at sea.

Some extremist groups largely pushed aside after the execution last year of Mr Mehdi Hashemi, the leader of an organisation dedicated to exporting the revolution, have *already re-emerged*. The increasing power of the extremists is a challenge to the relatively non-ideological conduct of foreign policy which has held sway in recent years.

If the radicalisation of the political mood increases, however, the pragmatists will have little choice but to abandon their policies if they wish to retain power.

The pragmatist leadership is therefore faced with a dilemma. In order to continue the war it needs the support of the *hizbollahis*, but the support of these elements unleashes powers which it may not be able to contain. This cycle looks set to be exacerbated by the likely sweep of Majlis seats by candidates of the radical groups.

Richard Gourlay reports on a bureaucratic tangle in the Philippines

Aid lies idle as Manila ponders

THE multi-billion aid package for the Philippines now under discussion by its European and Asian allies may have limited value unless Manila's bureaucracy can quickly find projects for the aid already on offer.

By the end of this year, over $3bn is likely to have been committed to the Philippines by aid donors, according to government and donor figures. While some of this is the unused portion of multi-year programmes, a large chunk lies idle because of bureaucratic paralysis in Manila.

"There is no mechanism out there to identify projects," said one development economist, before reeling off a list of transport, energy, telecommunications and social infrastructure projects that the country needs. "It is a case of money chasing projects."

Interest has increased in a mini-Marshall plan, based on the programme that helped rebuild post-war Europe, since US Representative Steven Solarz first broached the idea in November. Last month Mr Lee Kuan Yew, Singapore's Prime Minister, worried by possible political instability in his back yard, strongly urged the US to take the lead in a *multilateral plan*.

But the US faces trade and budget deficits of its own. It is no longer the country of the Marshall plan years, when it had a $12bn a year trade surplus, half the world's gross national product and a need to recycle dollars to preserve its markets.

Japan, however, is closer to that model and is keen – some would say desperate – to increase its aid flows in order to spruce up its international image. In April, according to Japanese diplomats, Japanese officials told Mr Raul Manglapus, the Philippine Foreign Secretary, that if a scheme was set up under an institution like the World Bank, then Tokyo would be very keen to play a part.

A Soviet diplomat yesterday defended the presence of Soviet warships in the South China Sea and said Moscow would oppose any move by Washington to retain military bases in the Philippines through an aid plan, Reuter reports from Manila.

Without an improvement in the flow of aid into projects, however, the multilateral donors that the US wants on board are likely to take a longer, cooler look at the mini-Marshall plan.

Mr Fiorello Estuar, who heads a presidential team to unblock the aid pipeline, has made some improvements, but implementation of existing projects remains a serious problem.

A striking example is a $200m thermal power project to be financed by the World Bank and concessionary Italian credit. The money is on the table, but the project has been delayed while the Office of the President decides what one government corporation should charge another government corporation for steam.

The much larger problem – committing to projects at the turn of the decade – has been magnified by Mrs Solita Monsod, Secretary of Economic Planning, who has effectively barred the use of foreign consultants to devise programme proposals.

With the pipeline for projects comprehensively clogged, aid economists say mini-Marshall aid would have to go to so-called programme lending.

It could either plug the public sector budget deficit or support the balance of payments – ensuring that the country's $28bn foreign debt can be serviced but also providing the private sector with the foreign exchange it needs to expand.

The flows would also free *funds to finance a more efficient* military and a land reform programme, currently making slow progress through Congress.

Against this backdrop of uncertain developmental benefits, the US must now try to sell the mini-Marshall plan to other international donors.

It has already run up against scepticism in Manila. Many Filipinos suspect that the plan is somehow linked to the current negotiations, which will help determine whether the US can keep its strategically important military bases in the Philippines after the lease runs out in 1992.

Only a day after the Administration announced it was discussing a Marshall-type plan, Mrs Aquino made it clear that the bases and the aid should not be linked and the US Ambassador denied that they were.

The question of whether the mini-Marshall plan be controlled by the US through a consultative group or should be run by the World Bank has still not been settled.

There is a final possibility. The announcement of the plan in Washington was premature – it was certainly made before serious contacts were established with other donors – leaving a real posibility that international support may not emerge. The US Administration would then stand accused in the Philippines of cynical manoeuvreing during the bases negotiations.

Kim Young Sam in political comeback

BY MAGGIE FORD IN SEOUL

Kim Young Sam

MR KIM YOUNG SAM was yesterday re-elected president of South Korea's opposition Reunification Democratic Party three months after he stepped down in response to pressure for an opposition merger.

Mr Kim's RDP became the second largest opposition party in the National Assembly election last month in which the ruling party lost its majority. He was eclipsed for first place by Mr Kim Dae Jung's Party for Peace and Democracy.

Mr Kim said that he planned to pursue reform through the assembly, where new powers will allow the investigation of controversial matters. Mr Kim Dae Jung said yesterday that he planned to try to form a committee to look into the Kwangju incident when the assembly opens.

At least 200 people were killed in a rebellion in provinicial Kwangju in May 1980. Mr Kim said that three main issues needed to be investigated – the motives of the military in the incident and its cause, the identity of the officers who ordered the killing and the role of the US, which was technically in control of South Korean army units at the time.

The issue is perhaps the most sensitive one confronting President Roh Tae Woo, whose predecessor ex-President Chun Doo hwan, took power in a military coup with his help six months before the rebellion.

Meanwhile, hints are emerging that the Government is considering releasing more of the hundreds of political prisoners still detained, after criticism last week from Cardinal Kim Su Hwan, leader of South Korean Catholic Church.

Some leading members of the ruling party appear to favour the release, while others are apparently resisting any change.

OVERSEAS NEWS

Cuban build-up threat to Angola talks, says Botha

BY ANTHONY ROBINSON IN JOHANNESBURG

ANGOLAN PEACE negotiations could be endangered by an alleged naw build-up of Cuban troops in soothern Angola, Mr Pik Botha, the South African Foreign Minister, warned yesterday.

Mr Botha was speaking in Cape Town before be flew to Brazzaville, capital of the Congo, for talks with Angolan representatives aimed at seeking a negotiated settlement to the 13 year old civil war in Angola and independence for Namibia.

The South African delegation included General Magnus Malan, the Defence Minister, and other senior military and diplomatic officials. The Angolan Government, which had been expected to send its foreign minister, is represented instead by Mr Franca Van Dunem, the Justice Minister.

The offical Angolan news agency said that the talks, which follow last week's meeting in London between Angola, South Africa, Cuba and the US, would be an "exploratory meeting between experts at the request of South Africa". The US and Cuba are not taking part in the Brazzaville talks.

"The Angolan delegation will hear the concerns of South Africa over the basic decisions which involve all sides concerning the independence of Namibia. . . and the security of Angola," said the agency report.

Mr Botha told the state-controlled radio and television network that the delegation, billed as the first ministerial visit to an African country north of the Equator since the 1970s, had decided to go ahead despite severe reservations caused by intelligence reports of the alleged build-up.

Mr Botha's remarks echoed his statements in Parliament on Wednesday night when be first revealed the alleged Cuban troop build-up and said that their movement south towards the Namibian border, possibly with South West Africa People's Organisation forces "either among them or following them," was "seriously raising the temperature and tension in the region".

He added that the Americans had been informed of the alleged Cuban build-up "as a matter of urgency" so that it could be raised with the Soviet Union, Cuba's ally, during the talks between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister. The two men are currently involved in preparatory talks before the Reagan-Gorbachev summit later this month which are expected to concentrate on disarmament issues but also include discussion of regional issues such as Afghanistan and Angola.

Hijackers force Chinese airliner to land in Taiwan

A CHINESE Boeing 737 carrying 107 passengers and crew was hijacked to Taiwan yesterday, state television said, Reuter writes from Taipei.

It said two hijackers armed with fake hand grenades took over the aircraft which was on a flight from the southern Chinese island of Xiameo to Canton.

The television said Chinese MiG fighters had tried to intercept the airliner as it veered off-course towards Taiwan.

Taiwan radar located the Boeing and fighters scrambled to intercept it, television said.

Ten Taiwan military jets escorted it as it flew over Taiwan's Pescadore Islands in the Taiwan Strait.

Hundreds of military police cordoned off the airfield near the central city of Taichung to stop reporters from entering.

Television identified the two hijackers as Chang Ching-kuo, 27, from China's Shantung province, and Lung Kuei-yun, 26, from Yunnan province. Both are workers, It added.

It said there were foreigners among the passengers.

The cost of war mounts steadily for Angola

VICTOR MALLET REPORTS FROM LUBANGO, SOUTHERN ANGOLA

WHILE THE politicians talk about a peace settlement for Angola and Namibia, the soldiers and the guerrillas are getting on with fighting the wars.

Every few minutes the quiet in Lubango is shattered by the roar of Soviet-made MiG-23 and MiG-21 warplanes on training missions around the town, reminding visitors that the Angolan Air Force is probably the most powerful in sub-Saharan Africa, even if thousands of the country's people have been killed, maimed or reduced to destitution by the fighting.

In the market next to Engels University, gun-toting Cuban and Angolan troops haggle over Soviet sardines, army toothpaste and local oranges.

On the hill above the town, next to the statue of Christ, the Cuban radar installation calling itself "the steel eyes of the revolution" keeps watch for South African air attacks.

On the Atlantic coast to the west, emergency food aid is competing with a shipment of tanks to be used in the next offensive for access to the port of Namibe. To the east the town of Cuito Cuanavale is besieged by pro-Western guerrillas of the Unita movement and pounded by South Africa heavy artillery.

Angola has suffered from nearly a quarter of a century of fighting. First the guerrilla movement fought the Portuguese colonialists, and then they fought each other with the help of the superpowers. Since independence in 1975 the Angolan economy has collapsed under the burden of the war and the Marxist government's fiercely anti-capitalist economic policies.

This week the capital Luanda has been plagued by power cuts. From a helicopter one can see why. Six pylons are lying tangled on the ground, sabotaged by Unita guerrillas about 130km from the city. The charges were laid a mere 200 metres from an encampment of government soldiers guarding the power lines.

Nearby, a huge convoy of trucks with military escort is crawling on its way to Moxico in the east of the country, a routine journey in time of peace, which could now take more than 40 days as a result of land mines, ambushes and bad roads.

The war has exacted an appalling human and economic price. Of the population of 9m, more than 1.5m have fled their homes or are in urgent need of outside assistance. Permanent government control has been reduced to tha coastal strip and defended towns and roads inland. The Angolan Government has enlisted the military support of Soviet advisers, 40,000 Cuban soldiers and the Namibian guerrillas of the South West African People's Organisation (Swapo), while Unita is backed by South Africa, the US and Zaire.

Next week, despite its substantial oil revenues, Angola will appeal in Geneva for more than $100m in emergency aid. Bearing in mind South African incursions into southern Angola, and the attempts by President Jose Eduardo dos Santos to reform the economy along Western lines, Mr Oto Denes, the United Nations representative in Luanda, is calling on the international community to support the appeal. "It's partly much more a political gesture to the Government than just an emergency need," he said.

Whole villages of the internal refugees, known as des locados have moved in fear from their fertile highlands in provinces such as Kwanza Sul to camps on the hot coastal plains where they become dependent on food aid and the victims of cholera epidemics.

A typical victim of the war, maimed and psychologically scarred, is 16-year-old Ernesto Eusebio Carlos, one of the 224 children at the Lubango orphanage. One day five years ago he was walking home from school with a group of friends. He stepped on a land mine, losing one leg and the sight of both his eyes. His parents are dead but he thinks they are alive because those who look after him cannot bring themselves to tell him.

Anthony Robinson reports on a relentless campaign fought on all fronts

ANC takes some hard knocks from Pretoria

Mr Sam Nujoma, leader of the South West Africa People's Organisation, is visiting Cuba at the invitation of President Fidel Castro for talks with government officials, the official newspaper Granma reported yesterday. Mr Nujoma was met on arrival by Mr Jorge Risquet, a politburo member who headed Cuba's delegation to last week's London talks on peace in Angola and independence for Namibia. Swapo, whose guerrilla army is based in Angola, was not represented at the London conference.

AS A high-powered South African delegation set off yesterday for talks in Brazzaville with Angolan counterparts, the security forces back home were celebrating the latest success in their domestic war against the African National Congress.

According to the police, four white members of the ANC's military wing, Umkhonto we Sizwe, ware captured in an isolated farmhouse north of Johannesburg together with a cache of Soviet-made weapons, including Sam-7 anti-aircraft missiles.

The police also let it be known that the presence of the four alleged Moscow, Cuban and Angolan-trained suspects had been revealed by an ANC informer in a move calculated to spread consternation in ANC ranks.

The latest incident has dealt another serious blow to the ANC. Its broadcast intention to "make South Africa ungovernable" began to look credible to many blacks and foreign observers at the height of the black revolt in 1985.

Since then the Lusaka-based leadership in exile has reeled under defeat after defeat as Pretoria has stepped up domestic repression under the re-imposed state of emergency, mounted cross border raids against alleged ANC bases and infiltration routes in neighbouring states, and waged a secret war against ANC cadres abroad.

By stepping up its aid to rebel Unita forces in Angola, Pretoria also helped repel last year's Soviet-backed offensive against Unita by the Angolan Government and Cuban forces.

Pretoria has made known that an acceptable settlement of the linked Angolan and Namibian issues would have to include a non-aggression pact which deprived the ANC of its vital Angolan rear bases. Severely curtailed in its ability to wage the armed struggle, the ANC would be forced to rely on diplomatic and political means alone.

Up to now, the military and political struggle has been run in tandem, with the latter aimed at achieving three goals: increasing South Africa's isolation through sanctions, boycotts and diplomacy; mass mobilisation of opposition to Pretoria through sympathetic organisations such as the recently banned United Democratic Front; and the creation of underground structures such as peoples courts and street committees which would, in effect, run black townships.

The loss of Angola as a secure base area would also cripple the 20-year armed struggle of the South West Africa Peoples Organisation (Swapo) for Namibian independence.

But for the ANC the prospective loss is doubly traumatic, because it recalls its expulsion from Mozambique after the March 1984 non-aggression pact Maputo signed with Pretoria.

Expulsion from Angola, or even confinement to the northern provinces, would make it virtually impossible for the ANC to mount guerrilla attacks on South Africa. Its existing Tanzanian bases are too far from South Africa to be of much military use. The net effect could be that the ANC is forced into a fundamental reappraisal of its strategy.

Many black South Africans and Namibians undergoing training or fighting with the Angola Government's forces against South African-backed Unita rebels led by Dr Jonas Savimbi, have already been in exile since 1976, when thousands left after the uprising in Soweto.

The lucky ones have received education or higher military training, mainly in tha Soviet bloc. Most have not.

ANC morale, high in 1985, is now low, claim South African security men who interrogate captured cadres. Their trials have revealed poor training and organisation, weak internal security, and above all, a dangerous lack of contact with the evolving social, political and economic reality of contemporary South African black society.

Yet at the same time, as the latest arrests and suspected white involvement in recent bomb explosions demonstrates, the ANC has been increasingly able to recruit young idealistic whites, including Afrikaners.

The new recruits reflect the turmoil and divisions in white society. Many are wracked by shame and guilt. Some appear to have reached the point of taking up arms in the belief that the ANC's armed struggle is more morally justified than that waged by Pretoria's own highly equipped security forces.

Report accuses Khartoum of scorched-earth policy

BY MICHAEL HOLMAN, AFRICA EDITOR

A CONFIDENTIAL assessment of the five-year civil war in Sudan says that the Government and its army appear to be operating a "carefully constructed strategy" of scorched earth measures, widespread killings and torture against southern civilians.

Sodan's efforts to reschedule its $10bn external debt, win new backing from donors, and attract assistance for its growing refugee problem are likely to be judged in the context of mounting concern about the human rights record of the Government.

The authoritative 25-page document, compiled from a wide range of sources, accuses the Government of making no real attempt to tackle the fundamental causes of Sudan's "truly desperate plight".

Only negotiations based on constitutionally guaranteed religious freedoms, autonomy for the south and equitable regional division of resources can end the civil conflict, it argues.

Since 1983 the Government has been at war with guerrillas of John Garang's Sodan People's Liberation Army, which seeks autonomy for the predominantly Christian and animist south from the largely Moslem north.

Much of southern Sudan is no longer under government control and the main southern towns of Juba, Malakal and Wau come under frequent SPLA attack.

The base of support for the SPLA comes from the Dinka tribe. The report describes how the Government of Prime Minister Sadiq el Mahdi, in its campaign against the SPLA, has over the past two to three years been arming local militias made up of other ethnic groups. These include the Mundari tribe in Equatoria province, the Nuers in Upper Nile, and the Fertits of Southern Darfur.

The war "is reaching new depths of destruction, cruelty and killing", says the report. The civilian government appears to be abdicating management of the "southern problem" to the military, which in turn is "giving more and more free rein " to these militias.

The main target is the Dinka people, the largest single tribe in the south and some 2m strong.

The report describes what it calls a scorched earth policy in the province of Barh El Ghazal, where the Dinka are the largest single tribe. They have lost "at least several hundred thousand cattle" to Fertit militia, who have herded the animals north and exported many of them.

The report cites numerous atrocities involving either the army or militias. In one incident in Ed Da'ein, in Southern Darfur, in March last year, 1,000 Dinka were killed. Last August, in the area around the southern town of Wau, over 1,100 civilians died at the hands of the army, some gassed to death when exhaust pipes were connected to armoured perrsonnel carriers. Others were machine gunned. Over 2,000 were killed in various incidents last September, which include the mutilation of women and children, says the report.

The report names what it calls "the architect of tha tactic of using tribal militias", an army major-general who is in the cabinet. It also names another senior army officer involved in the Wau campaign.

Thousands of southerners have moved north to Khartoum, and the report estimates that 500,000 internal refugees are now living in squatter camps around the city. Increasing numbers of southerners are crossing into Ethiopia. At least 250,000 are in refugee camps in the south west, where food is running out.

Those civilians fleeing the war in the south and who make their way north "appear to be facing a sustained campaign of harassment, from assaults, killings and theft on the road, to burning of squatter settlements in Khartoum," Sudan's capital.

The continuing role in government of the two senior army officers, "must be taken as an endorsement of rape, looting, toorture and wholesale murder as legitimate tactics againt innocent civilians caught up in a war not of their making."

Precarious Syria-Iran truce holds in Beirut

By Nora Boustany in Beirut

A SYRIAN-IRANIAN agreement resulted yesterday in joint supervision of a precarious truce in Beirut after six days of devastating inter-Shia conflict between the rival Amal and Hizbollah fighters in Beirut's southern slums. But nervous and sceptical gunmen hung doggedly to their positions.

Despite veiled threats by Syria that its troops would intervene unless the bloodshed stopped, none were deployed in the city's volatile southern suburbs to bring relief to the mainstream Amal militia, which supports Damascus but has been mauled by the more radical pro-Iranian Hizbollah in the fierce exchanges of the past week.

A telephone conversation between President Hafez al-Assad of Syria and President Ali Khamenei of Iran late on Wednesday led to a ceasefire announcement.

It should have allowed for the evacuation of the wounded, a prisoner exchange and the withdrawal of gunmen from the streets. But soon after Iranian and Syrian observers toured battle-zones with Amal and Hezbollah representatives to clear the area of manifestations of war, suspicious militiamen slipped back to their barricades.

Bloody battles which have left 154 dead and at least 550 wounded have left Hizbollah, or the "Party of God", in control of at least 80 per cent of Beirut's south-eastern outskirts, pushing the embattled Amal movement to the suburbs' western fringe around Chiah.

Having driven thousands of residents from their homes and businesses, the confrontation is far from settled. Hizbollah is now in control of a wide section of the mid-city Green Line separating Beirut's main Moslem and Christian sectors up to the Druze-held hills overlooking the city from the south-east.

"The suburbs have become a seat of power for the Shias," commented one leading intellectual of the sect yesterday.

"Hizbollah will become a main negotiating partner in the Lebanese equation as long as they are in a position to upset the status quo along the Green Line," he added.

An Amal spokesman said yesterday that he had specific information that the Syrians did not want to intervene directly in the conflict.

Analysts say that Syria's reluctance to get militarily involved is in a response to hard-line Christian opposition to Damascus having any say in the forthcoming presidential election.

Israeli jets attack bases

ISRAELI jets attacked Palestinian targets in the Druze-held Chouf mountains south-east of Beirut yesterday, security sources said, Reuter writes from Sidon.

They said six US-made F-16s fired rockets at bases of the Democratic Front for the Liberation of Palestine-General Command in Marj Barja, 15 miles south-east of Beirut.

Witnesses said at least five people were wounded in the attack, the seventh by Israeli jets on targets in Lebanon this year. They said smoke billowed over the area as ambulances and fire engines raced to the scene. "The aircraft struck at civilian and military positions of the DFLP-GC," a security official said.

Israeli deficit up 55%

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S balance of payments deficit rose by an unprecedented 55 per cent last year, to $6.2bn, the Government revealed yesterday.

Sharply higher imports of military and civilian goods outstripped a strong export performance. Boosted by a devaluation of the Israeli Shekel, exports of goods and services grew by 17 per cent, to $14.2bn. Imports, meanwhile, surged by 26 per cent, to $20.4bn, after five years — from 1981 and 1985 inclusive — of stagnation around the $15bn mark.

In contrast to previous years, no panic surrounded the widening trade gap, financed by higher transfers from abroad, including US Government aid of $3bn. Treasury forecasts for 1988 recently presented to the International Monetary Fund indicate a slowing down in the rate of growth of imports — to $21.2bn — along with a continued strengthening of exports, to $16bn.

But the latter figure is likely to prove over-optimistic in view of the decline in tourism this year and the continued weakness of the US dollar.

Defence equipment imports from the US are also expected to grow strongly, from last year's $2.7bn to $3.3bn, according to recent US government figures.

AMERICAN NEWS

Revised figures show US retail sales higher than expected

BY ANTHONY HARRIS IN NEW YORK

US RETAIL sales have been considerably stronger in the last three months than earlier estimates have suggested, according to yesterday's report from the Department of Commerce.

Although the new advance estimates show a 0.6 per cent fall between March and April, this is the result of a sharp upward revision of the March figures, which are now estimated to have been 1.7 per cent higher than in February, against an earlier estimate of 0.8 per cent.

Shock

The value of sales in the three months to April is now estimated to be 2.5 per cent higher than in the previous three months, when weak sales reflected the shock of the October stock market crash, and 6 per cent above the same three months in 1987.

The actual level of sales in April was closely in line with market forecasts. The figure was well received on Wall Street, where the markets have been concerned that the strength of consumer demand might cramp the improvement in the US trade balance.

There was further reassurance from Fed Governor Wayne Angell, who told a news conference in Washington that he was "somewhat satisfied" with the current growth performance of the US economy, and added: "I'm not worried about too rapid growth."

Gov Angell said he saw no reason to change current Fed monetary policy, but declined to say whether recent rises in interest rates represent a policy change.

Confusion

The retail sales figures confirm the pattern of earlier figures in showing strong growth in cars and other durables, which is now thought to have slowed down quite sharply, but comparatively weak figures for non-durables, shown only 3.3 per cent up over the last year, barely above the price increases in this group.

The confusion over the monthly pattern of sales is normal when Easter falls early in April, according to the official statisticians. Many companies are thought to have reported five weeks of business in their March returns.

Greenspan calls for caution in reform of securities markets

MR ALAN GREENSPAN, the US Federal Reserve Board Chairman, called yesterday for caution on attempts to reform the regulation of securities markets in the wake of the October stock market collapse, AP reports from Chicago.

In remarks prepared for delivery before the conference on bank structure and competition at the Federal Reserve Bank of Chicago, Mr Greenspan noted that several analyses of the market plunge have suggested the need for reform of the regulatory structure for the stock, futures and options markets.

"While it is clearly true that each of these markets is really only a component of one integrated market valuation system, and that such linkage implies the need for a co-ordinated regulatory approach on intermarket issues, my colleagues and I believe that we should proceed cautiously in this area," Mr Greenspan said.

The Fed chairman also reiterated his support for elimination of the separation of commercial and investment banking in the Glass-Steagall Act.

"Of all the possibilities for expanded bank powers, repeal of Glass-Steagall is most consistent with addressing the fundamental market and regulatory developments undermining the long-run health of US banks," Mr Greenspan said.

He also said that the board "strongly supports" the generic authorisation of securities powers for banks contained in the senate version of Glass-Steagall reform legislation.

"I believe it would not be useful to grant only specific, limited securities powers to banking organisations since that runs the risk of product obsolescence as market innovation and technological change continue," Mr Greenspan added.

The US central bank is "under no illusions" about the riskiness of securities activities when it supports allowing banks to expand into that area, he said.

"Nonetheless, available evidence, including that from the October crash, suggests that the risks of securities activities can be managed prudently in the vast majority of situations," Mr Greenspan said.

"It is important to underline that the Federal Reserve board's objective in its support of broader powers for bank holding companies is not to bail out banks, but rather to facilitate an efficient deployment of assets, capital and human resources to meet the public's needs for financial services," he emphasised.

Mr Greenspan repeated the board's belief that the risks of expanding bank powers can be addressed by requiring use of the bank holding company organisational form to insulate the bank from its non-banking affiliates. He also added that the Fed supports "an even further strengthening of the insulating 'firewalls' that already exist." He suggested that the forces of technological change were behind many of the issues arising from the stock market crash.

For example, "the pre-October level of stock prices may have been inflated in part by an erroneous anticipation that technology permitted rapid hedging or strategies that would permit entire portfolios to be liquidated rapidly," he said.

"Moreover, I believe that the severity and rapidity of the October crash was in many ways the outcome of tension between dramatically changing computer and telecommunications technology and the unchanged human tendency to disengage, or withdraw and avoid commitments, when prices become highly uncertain." The system could not handle the resulting clash, Mr Greenspan added.

"Any regulatory restructuring must take the hard edges off this conflict, but still allow for the continued evolution of financial markets," he said.

The Fed chairman also asserted that "realistic reform" of the financial regulatory structure had already begun

A century after slavery was abolished, blacks are not quite equal, **Ivo Dawnay** reports

The 'good appearance' of racism in Brazil

A PARABLE appeared on Brazilian television this week in the form of a TV biography of Michael Jackson, the US pop star.

As a bland commentary charted Jackson's career and the mounting zeroes on his pay cheques, the moonwalking, jitterbugging entertainer magically "whitened" before our eyes. Yet no reference was made to this phenomenon.

Today, exactly one hundred years after a two-sentence law finally abolished slavery, black Brazilians are more than ever aware of the Jackson syndrome in their own society - the fact that success, freedom and wealth are linked to the process of *embranquecendo*, or whitening.

To the visitor from abroad, Brazil first appears the model society where the melting pot of miscegenation has miraculously created a harmonious inter-racial family.

Yet beneath the public image the depressingly predictable statistics that can be found in the UK or the US are echoed here. In literacy, child mortality and employment, black citizens are hugely disadvantaged alongside their white brothers.

The proof is also hidden in newspaper type where classified ads even for humble jobs are offered exclusively to those "of good appearance" - the "polite" form for white.

Blacks, who with half-castes make up a majority of Brazil's 140m population, are quite used to being directed to the service lift when visiting friends in middle-class apartment blocks. Many would not even attempt to enter the better restaurants, where managers tend to turn away not merely black customers but also waiters whose appearance is not deemed adequately "good".

On television or in films, blacks play the servant, the sportsman, the musician or perhaps a comic role, but rarely the lead. In Congress, out of 559 members, just seven are black and, according to one black consciousness leader, only four actually acknowledge their colour.

This psychological whitening that occurs when a black individual rises in society is a phenomenon first identified by the late Gilberto Freyre, the Pernambuco social historian. A black deputy, for example, or the footballer Pele, on account of their success are tacitly accorded honorary white status that magically opens the restaurant doors.

Freyre praised this flexibility in white society, but black leaders now regard such "liberalism" as an essentially damaging mechanism in their efforts to win genuine equality.

"In some ways, Brazil is worse than South Africa, where racist laws provide a clear politicising target for blacks," Mr Jose de Paixao, head of Rio de Janeiro's Afro-Brazilian Cultural Committee, says.

"The trouble here is at least half with the black population itself, which refuses to recognise that it is often skin colour, not endemic poverty, that is holding back its development."

Evidence of this was shown in a recent government survey which asked participants to describe their colour. More than a hundred euphemisms were found to avoid the unpalatable truth.

In an effort to reverse this entrenched inferiority, black organisations have sprung up around Brazil to engender pride and consciousness in the country's African roots.

This year's Rio carnival emphasised "One hundred years of nothing", and in the 90-per-cent-black north-eastern city of Salvador, a self-styled "Rasta resistance" group is arguing for a boycott of the official abolition of slavery celebrations.

Such consciousness-raising efforts have a long way to go, however. As Mr Roberto da Matta, Brazil's leading contemporary sociologist, underlines, the country's long paternalist tradition also plays its role in maintaining the status quo.

Like Freyre before him, Mr da Matta identifies deep-rooted role-playing and the respect for function and title as a crucial cause of oppression of both poor white and poor black alike.

Rank-pulling, which he dubs the "Do you realise with whom you are speaking?" syndrome, is the very opposite to Brazil's other carnival spirit where roles are reversed, the mulatta is queen and communal anarchy is allowed a brief week to reign.

Somehow, despite the obvious cruel racial injustice that Brazil shares with all countries, there is something to be celebrated in this centenary anniversary - something absent from London's Brixton or New York's Bronx.

It is hard to pin down. But the clues suggest that it lies in the positive, life-endorsing carnival spirit - the celebration of the multi-coloured Brazilian family - that annually unites even the stuffiest white man with his most impoverished black brother.

Bitter black radicals argue that this is merely another part of the bread and circuses that provide a safety-valve for the establishment to maintain its power. But it equally can be said that Carnival is the time when the mask of racial superiority falls.

Congress trims fat from the pork barrel

BY STEWART FLEMING

NOWHERE is it written into US law that communities across the country are entitled to federal money for dams and irrigation projects or for the boost to many local economies that can come from having a US military base in the area.

But when politicians in Congress have been anxious to demonstrate to their local constituents that they are working hard on their behalf, ensuring that a Federal water project is financed or a military base kept in operation has been one way of achieving this.

So moves this week on Capitol Hill which would curb these so-called "pork barrel" spending proposals are just as surely indicative of the belt-tightening mood in Congress as the calls for allied governments to play a bigger role financing the defence of the West.

On Wednesday the House Appropriations Committee proposed that the 1989 federal budget should contain no money for new water projects such as dams, harbours or irrigation systems - the first time in the memory of congressional staff that such a draconian proposal has been adopted.

The move was made necessary by last year's budget summit between Congress and the White House, which sharply constrained spending.

Meanwhile, on the Senate side of Capitol Hill, a separate voice vote approved a proposal which would allow the Pentagon to start closing some US military bases.

The procedure for doing this is being carefully designed so that Senators and Congressmen representing the communities which will be hit economically by these decisions will be protected from political attacks for failing to defend local interests.

The Secretary of Defence would, if the proposal becomes law, create a bipartisan commission that would list bases that no longer serve a significant military purpose. Congress would then vote on the whole list rather than on the individual bases.

US bank write-offs criticised

By Nancy Dunne in Washington

THE major American money centre banks are both undercapitalised and underregulated and should have written off an additional \$28bn (£14.9bn) in uncollectable foreign loans, according to a new two-year study produced by Congress's General Accounting Office.

The study, by the investigatory arm of Congress, was described as "an audit of the auditors" by Iowa Congressman Jim Leach.

He said it could be inferred that the record first-quarter profits recently announced by banks with large overseas lending were misleading. "These institutions should probably write off loans this year of a greater magnitude than they did last," he said.

The GAO concluded that the \$21.1bn written off in foreign loans thus far should have been closer to \$49bn.

The report also said the American banking system was more viable than it was five years ago. However, the smaller banks were stronger than the bigger ones

Generals absolved on human rights charges

BY TIM COONE IN BUENOS AIRES

THE ARGENTINE Supreme Court has absolved two senior army officers of responsibility for human rights violations, apparently yielding to political pressure from the Government.

The court yesterday sustained a ruling that two generals and a colonel from the Third Army Corps are now absolved under the law and did not have decision-making capacity to question or change orders issued by their commander, General Benjamin Menendez. Gen Menendez still has to face trial on numerous counts of murder and torture.

The ruling is apparently in direct contradiction to the "due obedience" law passed by the Argentine Congress in June last year, which exonerated only junior and middle-ranking officers, but not senior officers, in charge of military operations zones and sub-zones during the "dirty war" of 1976-83. During this period, prisons and torture centres were operated and over 9,000 people disappeared.

The Supreme Court ruling follows closely a recent judicial interpretation by the State Prosecutor, Mr Andres d'Alessio. Presenting the Government's view on the future course of human rights trials, he argued that military commanders of sub-zones were also obliged to obey orders of their superiors.

The same argument was made by serving military chiefs last year, when the law was being discussed in Congress, indicating that first the Government, and now the highest court in the country, have effectively bowed to military demands.

The "due obedience" law itself was a direct consequence of the 1987 Easter Rebellion of junior and middle-ranking officers, led by ex-Colonel Aldo Rico. It is probable that the new ruling will now be extended to other outstanding cases, leaving fewer than a dozen senior officers to face trial from the 40 to 50 who were not absolved last year under the "due obedience" law.

The Supreme Court ruling becomes even more contentious with this week's extradition from the US of ex-General Guillermo Suarez Mason on 39 murder charges.

WORLD TRADE NEWS

China VW company in bid to boost production

By Robert Thomson in Peking

THE Shanghai Volkswagen company has become the first foreign joint venture to receive permission to issue bonds to the Chinese public in an attempt to raise funds for an increase in production.

Agreements were signed yesterday for the Yuan 29.5m (£4.4m) issue, which was apparently approved quickly by the People's Bank of China, the central bank, even though the project has been criticised by some Chinese automobile officials for its slowness in localising production.

The bonds, to mature in three years, are split into two classes, with Yuan 19.5m to be issued to individuals at an interest rate of 10.5 per cent, and Yuan 10m placed with corporations, which will receive interest of only 5.4 per cent, but will have priority in purchasing a Volkswagen Santana, for which there is a long queue.

Numerous Chinese banks and investment corporations have issued bonds internationally and domestically, though the Volkswagen venture is, according to the company, "the trendsetter not only for motoring, but also for financing".

Shanghai Volkswagen hopes to achieve a local input of 30 per cent by the end of the year, when annual production is expected to reach 15,000 vehicles, up 50 per cent on last year. Project officials predict that in 1990 it will produce between 30,000 and 60,000 cars.

Helsinki-Peking non-stop flight is refused

By Olli Virtanen in Helsinki

FINNAIR, Finland's national airline, will not be permitted to inaugurate the non-stop flight between Helsinki and Peking at the beginning of June, say Chinese officials.

They have not elaborated on the refusal but one reason could be the construction work at Peking international airport.

The opening of the new route was originally scheduled for early April but the Chinese authorities, referring to the construction, suggested June 2 as the new date.

Moscow faces an uphill struggle in improving its trade balance with the region, **Robert Graham** reports

Soviet Union quietly alters policy towards Latin America

FACED with an abysmal trade imbalance with Latin America, the Soviet Union has been quietly altering its policy towards the region. The changes are occurring with the slowness of a transatlantic liner altering course; but the broad lines are becoming increasingly discernible.

Moscow, however, faces an uphill struggle in improving its trade balance with the region and the quickest solution to the problem might be the rather negative option of cutting back on imports from Latin America.

The Soviet Union's traditional policy, whereby commercial considerations were subordinated to political objectives, has been replaced by a much more pragmatic line, aimed at achieving more balanced trade.

At the same time the Soviet leadership *seems anxious* to place greater emphasis on improved commercial relations with the main economic powers in the region, at the expense of socialist or revolutionary countries.

The changes appear to represent an assessment by the Soviet leadership under Mr Mikhail Gorbachev that its principal interest in future in Latin America is more economic than political.

At another level, the new approach underlines the fact that the Soviet Union can no longer afford the luxury of large trade imbalances. Cuba and Nicaragua are *the sole* countries with which it enjoys a favourable trade balance; but this does not favour Moscow because of the drain in aid and financial flows.

Putting aside the unique Soviet relationship with the Castro regime in Cuba, Latin America is the one continent where Moscow has not established itself as a significant arms supplier.

Apart from Cuba, the *sole arms* deals of note since the beginning of the 1970s have been with Nicaragua and Peru. Deprived of significant arms sales, the Soviet Union has had little to offer the relatively sophisticated middle economies of Latin America, accustomed as they have been to Western technology and standards.

Soviet oil might have been the answer, although the region is relatively self-sufficient (except for Cuba). Even Brazil, which buys some Soviet crude, is moving close to self-sufficiency. In addition, cheap oil is provided to the most needy nations of Central America and the Caribbean by Mexico and Venezuela.

As a result, the Soviet Union has developed substantial trade imbalances, especially through its purchases of commodities such as coffee, cocoa and grains. These imbalances have been tolerated, it seems, out of a mixture of inertia and a fondly-held belief *that political capital was being* accumulated.

However, the continuing mistrust felt towards the Soviet Union among the "bourgeois" governments of the region belies this argument.

In Brazil, for example, where the Soviet Union buys seven times more than they sell, Moscow still cannot obtain the necessary permission to expand its consular staff. In Bolivia, the Soviet Union invested heavily, providing plant and machinery to the mining industry in the 1960s and early 1970s, in the hope that the Bolivian miners would be the vanguard of Latin America's proletariat. Now much of that machinery is idle and Bolivia is undergoing the region's most radical experiment in free-market economics.

In the case of Argentina and Brazil, the imbalances have been exceptionally large. Before 1986 Moscow was purchasing an annual average of \$1.5bn-worth of Argentine grains and animal foodstuffs, but was selling goods worth well under \$100m. Furthermore, Moscow was rarely able to avoid payment in hard currency,

Gorbachev: new approach

or offset payments through barter deals, except in Nicaragua and Peru, both of which had bought arms.

The change in Soviet attitudes can be traced to 1986 when Moscow began to take a tougher line with Cuba over aid and economic management. The Soviet Union, which supplies some \$4bn a year in economic and military assistance to Cuba, demanded greater accountability.

From the outset, Mr Gorbachev appeared determined to avoid being bogged down by Cuba and to resist being too heavily drawn into the conflict in Nicaragua in order to adopt a more even-handed attitude to the region as a whole. He was also prepared to be hard-headed over trade.

In 1986, Soviet purchases from Argentina were cut by almost one third in value. This was partly the result of improved Soviet harvests but also because the Soviet leadership could buy cheaper grain from the US and was willing to put up with Argentine cries of foul.

Last year the grain tonnage crept up to just over 3m tonnes but this must be seen against the traditional purchases of 8m-9m tonnes.

More generally, the Soviet Union has cut back on Latin American goods purchased on a cash basis. At the same time, they have sought to expand trade through joint ventures, counter-trade and barter deals.

So far, Brazil has received the greatest attention: Soviet sales there last year topped \$83m, against imports of \$520m. The aim is to raise bilateral trade to more than \$1bn within the next three years.

One of the most interesting deals just concluded involves the shipping of vodka in bulk to be bottled in Brazil

But too much of what the Soviet Union has to offer can be produced by the Latin American countries themselves, especially the larger economies - the growing indigenous arms industries are a case in point.

Thus, if Moscow is to improve its trade balance, the quickest means appears to lie in further cutting purchases from the region.

Bonn arms exports 'top \$6.5bn'

BY DAVID MARSH IN BONN

WEST Germany exported \$6.55bn (£3.6bn) worth of arms during 1982 to 1986, with the bulk of sales going to Latin America, the Middle East, and Turkey, according to US government statistics.

The figures, from the annual report of the US Arms Control and Disarmament Agency, put West Germany's arms exports to developing countries, including Turkey, over the period at \$5.52bn.

The statistics, much more detailed than those released by Bonn, underline how the Federal Republic has become a major weapon supplier to many countries, despite its traditional restrictive policy on arms exports, which formally rules out sales to areas of conflict.

West Germany's developing country arms sales during the period were higher than Britain's, put at \$5.11bn, but well behind those of France (\$20.1bn), the US (\$28.5bn) and the Soviet Union (\$78.7bn).

Overall, West German arms sales abroad between 1982 and 1986 put the country on a par among major weapons exporters with Britain (\$6.9bn) and China (\$6.5n). The world's main overall weapons exporter during the period was the Soviet Union, (\$87.4bn), followed by the US (\$51.5bn) and France (\$20.5bn), according to the agency's figures.

The West German Economics Ministry, in a recent parliamentary answer, said the country's arms exports amounted to an average DM2bn a year between 1984 and 1986.

The ACDA report named 33 non-Communist developing countries as recipients of West German arms during 1982-86, many of them for only relatively small amounts. Argentina headed the list with \$1.4bn-worth of deliveries, followed by Turkey with \$850m, Colombia with \$675m and Iraq with \$625m.

Greece, Spain and Turkey are all classed by ACDA as developing countries although they are in Nato. West Germany's Nato deliveries over the period were put at \$1.99bn, with sales to the US of \$460m.

The ACDA figures include so-called "dual use" goods with both civilian and military applications, when they are intended for a clear military purpose by the recipient.

The figures from the Economics Ministry and the ACDA underestimate West Germany's overall role in world arms sales.

This is above all because important amounts of West German weapons equipment are sold via consortia based abroad. Prime examples of arms produced by such partnerships are the Tornado fighter-bomber constructed with Britain and Italy, which has been sold to Saudi Arabia and Oman, and missile systems sold via the French-led Euromissile group.

Mr Hanns Arnt Vogels, chairman of Messerschmitt-Boelkow-Blohm, the leading West German aerospace and defence technology group, said recently that Bonn's arms export policies were less restrictive in practice than they often appeared.

"For domestic policy reasons, the Government will always push into the foreground this formal restrictive policy, although in large parts of the world – either as a result of European partnership accords, or because of the opening of certain regions in South East Asia – it does not work out in practice as especially restrictive," the MBB chief said.

MBB is paying particular attention to promoting armaments deliveries to South East Asia. Since for export authorisation purposes Bonn treated this part of the world as similar to the Nato area, Mr Vogels said he did not believe there would be political problems over, for example, military helicopter sales to South Korea, India, Thailand or Indonesia.

Third World presents plan to scrap MFA

BY WILLIAM DULLFORCE IN GENEVA

THE DEVELOPING countries have presented in the General Agreement on Tariffs and Trade a blueprint for dismantling the Multi-Fibre Arrangement, which governs world trade in textiles and clothing, and for integrating it in Gatt.

The proposal is, however, less specific than an earlier one from Pakistan, which spelt out a five-year framework for demolishing the MFA.

The lack of detail reflects differences within the Third World group between countries, such as Hong Kong, Taiwan and Korea, currently enjoying relatively large quotas for their exports, and others seeking to expand their markets.

Tabled recently by the International Textiles and Clothing Bureau in the group negotiating on textiles under Gatt's Uruguay Round, the proposal sets out the elements of a programme. The Geneva-based ITCB is a co-ordinating body for developing countries.

A reversal of MFA constraints would be brought about by freezing restrictions at their current level, then by reducing the product coverage and graduallly relaxing and removing the restrictions.

MFA concepts and practices incompatible with Gatt, such as price discrimination and appeals to market disruption to justify protection, would next be eliminated.

The Gatt principle of more favourable treatment for developing countries would be applied to trade in textiles and the MFA would be "terminated" on a date to be agreed the ITCB paper proposes.

Pakistan presented evidence that developing countries' low labour costs were no longer a significant competitive factor. Comparisons of German domestic products and imports showed the US to be the lowest cost supplier of carded cotton yarn and the second lowest (after South Korea) of cotton sheeting.

However, few countries, apart from Pakistan and India, are pressing for action on the MFA at this stage of the Uruguay Round. Many want first to see results from other negotiating groups, not least that handling safeguards, the temporary measures to slow imports, which Gatt allows countries to resort to in emergency situations.

Gatt farm round, Page 34

Free trade blow to Canada discounted

BY PETER MONTAGNON, WORLD TRADE EDITOR

FEARS of a major exodus of foreign-owned companies and capital from Canada in the wake of the Canada-US Free Trade Agreement have been much exaggerated, according to a study published yesterday by the respected C.D. Howe Institute in Toronto.

The risk that elimination of tariff barriers will prompt companies to relocate south of the border and provoke an investment outflow has been widely cited by critics of the agreement signed by President Reagan and Mr Brian Mulroney, Canadian Prime Minister, at the turn of the year.

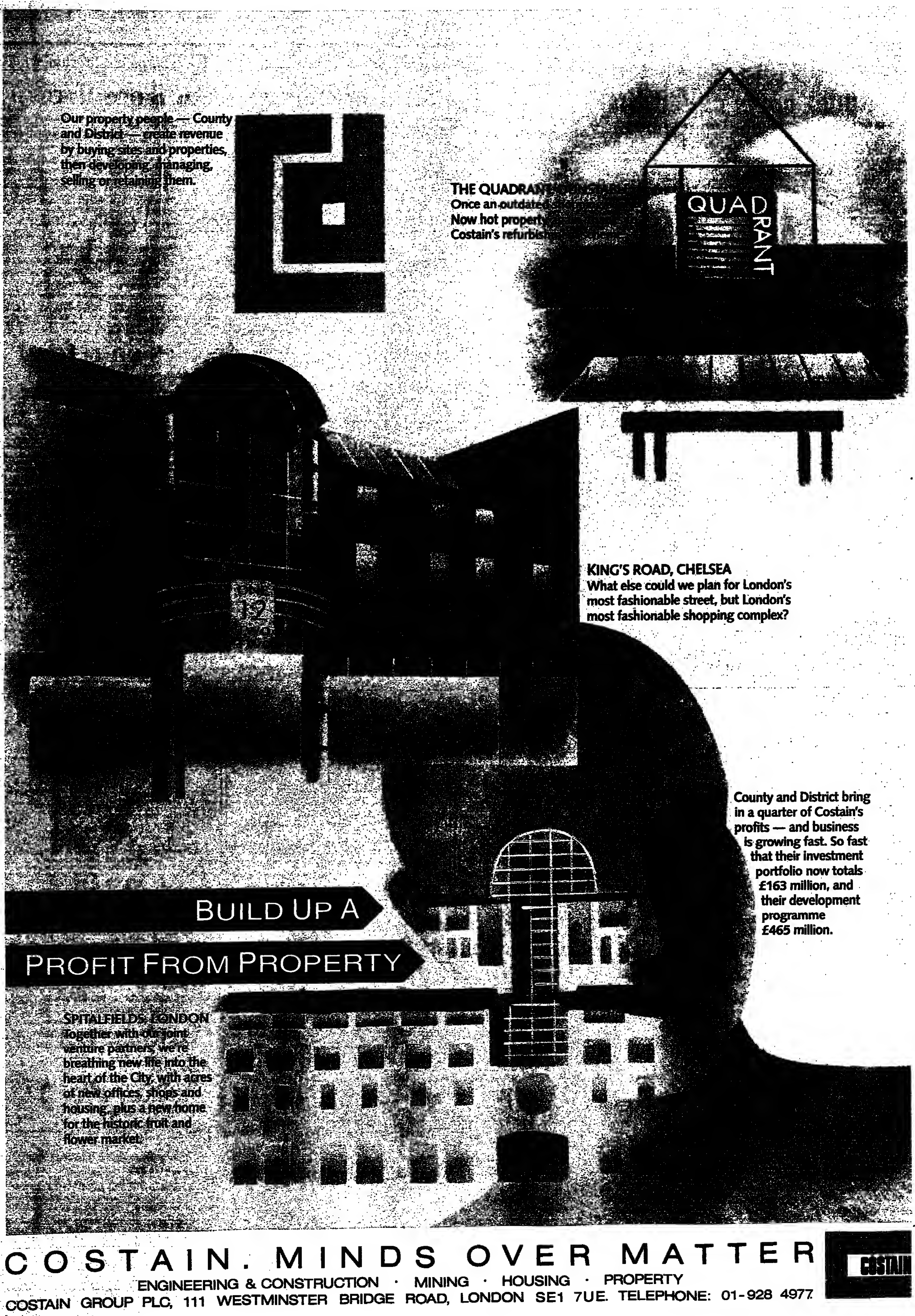
The study, written by Professor A.E. Safarian of the University of Toronto, warns that some sectors and workers will be under considerable competitive pressure for a time after the agreement enters force, and some divestment will occur but this is unlikely to result in a net outflow.

Tariff barriers are not the only reason why companies choose to locate in certain markets and the impact of the agreement will be to make Canada a competitive source for a wide range of manufactures.

Moreover, experience shows that free-trade agreements tend

to lead to increased competition and therefore increased investment, Prof Safarian says. Overseas and intra-European investment grew in Europe after the establishment of the Common Market and smaller countries engaged most aggressively in acquiring "fifth-column" investments designed to penetrate the larger markets of established competitors.

The Canada-US Free Trade Agreement and Foreign Direct Investment, Trade Monitor 3, by A.E. Safarian, 16 pages. From C.D. Howe Institute, Toronto, Canada.


Our property people — County and District — create revenue by buying sites and properties, then developing, managing, selling or retaining them.
THE QUADRAN
Once an outdated
Now hot propert
Costain's refurbis
QUAD RANT
KING'S ROAD, CHELSEA
What else could we plan for London's most fashionable street, but London's most fashionable shopping complex?
County and District bring in a quarter of Costain's profits — and business is growing fast. So fast that their investment portfolio now totals £163 million, and their development programme £465 million.
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PROFIT FROM PROPERTY
SPITALFIELDS, LONDON
Together with our joint venture partners, we're breathing new life into the heart of the City, with acres of new offices, shops and housing, plus a new home for the historic fruit and flower market.
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COSTAIN

Truck drivers' blockade of Channel ports called off

BY JIMMY BURNS IN LONDON AND LAURA RAUN IN AMSTERDAM

THE BLOCKADE of ports by drivers on both sides of the Channel between England and France ended yesterday as the National Union of Seamen admitted a major setback in its 15-week ferry dispute.

It ordered its members to abandon secondary action in support of their P&O colleagues.

The move, ordered by the NUS national executive meeting in Hull, in north-east England, came after hundreds of striking seamen employed by Sealink, one of the two major UK ferry operators, broke union ranks and began to drift back to work.

It also came against the background of mounting claims for damages, fines, and legal costs projected by the union's solicitors to be in the region of £2.3m.

This is only slightly less that the £2.8m of assets held by the NUS and in the hands of sequestrators as a result of earlier action taken by Sealink.

Mr Sam McCluskie, NUS general secretary, who less than 48 hours earlier had rebuffed a peace offer from Sealink at a meeting in London of union shop stewards, said: "We all knew this day had to come... We must recognise the strength of feeling for a return to work, particulalry in Sealink."

The union leader is expected to return to the High Court in London either today or early next week to purge his contempt in a move that is expected to lead to the lifting of the sequestration order.

However, the NUS tactical retreat is unlikely to heal the deep divisions within the union which are likely to surface at a mass meeting of seamen in Dover today and at the union's biennial conference due to begin in Hull on Monday.

Hopes of industrial relations in the ferry sector returning to full normality were further dampened yesterday when the NUS pledged to continue its dispute with P&O Ferries, the major UK cross-channel operator.

It called for mass picketing at the port in support of more than 700 seamen sacked by the company for refusing to accept a new pay and conditions package .

James Sherwood: personal assurances from seamen's union

P&O, however, signalled its determination to continue operating in defiance of the NUS by preparing to put to sea its third ferry crewed by strike-breaking seamen.

According to Groof & Co, the shipping agent for P&O in the Dutch port of Flushing, the freight ferry European Trader, which has been berthed there since the start of the dispute, was scheduled to depart last night for Zeebrugge, Belgium before sailing onwards to Dover.

P&O, meanwhile, is intending to continue operating two ferry ships, which sailed out from Rotterdam two weeks ago, between Dover and Zeebrugge.

"We are no longer directly or indirectly connected with the NUS. We no longer recognise the closed shop and there is nothing that is going to change that," a company spokesman said.

Road hauliers and harbour authorities who have been most hit by the dispute welcomed yesterday's breakthrough, but gave a warning that problems in cross-channel ports would continue while the P&O dispute remained unresolved.

Continuing conflict between P&O and the NUS contrasted yesterday with the announcement of a tacit alliance between Sealink and the union.

Sealink on Wednesday hardened its position in the dispute by appealing over the heads of union officials and appealing directly to its seamen to return to work by a deadline of midday today.

But yesterday's decision by NUS leaders to call off secondary action led to a positive response from the company.

Sealink said it would not return to its previous offer. This would have involved immediately putting two additional ferries on its Dover-Calais route and making available temporary employment to 450 seamen sacked by P&O.

However, he said P&O strikers were welcome to apply for 180 summer jobs on an extra chartered ferry ship expected to be operating within 10 days.

Sealink, which has lost £3m because of the P&O dispute, said that although it would be seeking cost-savings in the run-up to the opening of the Channel Tunnel it intended to continue to recognise the NUS as an "effective bargaining unit."

The company's chairman Mr James Sherwood claimed that P&O was having "great difficulty" in resuming its services with strike-breaking crews and that those that had so far been recruited were largely catering staff with little experience of engine and deck tasks.

He blamed P&O for unnecessarily provoking the ferry dispute by demanding the immedeate implementation of new crewing arrangements instead of opting for a longer negotiation.

Mr Sherwood said he had personally been assured by NUS officials that they were prepared to accept more flexible working arrangement and cost-cutting within a three year framework.

Coal miners compete for colliery contracts

By Maurice Samuelson

TEAMS OF MINERS at Nottinghamshire, in the English Midlands, are earning thousands of pounds from weekend contract work in their collieries – in addition to their regular wages and bonuses.

The system officially exists only in Nottinghamshire, where the Union of Democratic Mineworkers has been the majority union since the coalfield refused to back the 1984-85 miners' strike.

Similar arrangements are becoming common in other parts of the industry, in spite of being contrary to the policy of the National Union of Mineworkers. Mr Kim Howells, research officer of the South Wales NUM, said that if the system continued to spread, "the Coal Board will simply become a leasing operation and the whole thing will be privatised through the backdoor."

The teams who win these contracts tender for them to British Coal which compares their price with the cost of using ontside labour. The system, known locally as ad hoc contracts, has been operating under an official agreement worked oot last year by the corporation and the UDM.

In the biggest Nottinghamshire pay-out to date, £80,000 was earned by a team at Bilsthorpe colliery for sealing off an abandoned coal face and salvaging its expensive equipment for another part of the pit. One man earned £3,700 and more than 20 others earned nearly £3,500 each.

The large amounts were determined by the speed with which the work was completed – only 19 weeks, compared with the 30 weeks British Coal expected.

In another Nottinghamshire pit, honnses of £1,500 were recently paid to weekend workers who developed a new coal face in only 16 weeks, compared with the six months which management would have expected in normal working hours. To earn that money, the development team operated in three shifts a day for seven days a week.

Michael Cassell examines changing faces and political fortunes

Steel withdraws from front line

MR. DAVID STEEL, formerly leader of the Liberal Party, last night confirmed his withdrawal from the front-rank of British politics by announcing that he will not stand for the leadership of the Social and Liberal Democratic Party, the party formed from the merger of the Liberals and the majority of the Social Democratic Party.

Mr Steel ended months of speculation about his political future when he told the local party executive in his Tweeddale, Ettrick and Lauderdale constituency in Scotland that he would not put his name forward for the July contest.

He stressed he was not "bowing out" and intended to remain an active MP at the service of his successor. He believed the election cootest and the choice of a new leader would provide a positive stimulus for the Democrats.

Mr Steel claimed there were several people well qualified to lead the party and confirmed that he would, alongside Mr Robert Maclennan, the MP for Caithness and Sntherland, remain interim, joint leader until the election result was known.

Mr Steel (left) leaving the field to favourite Mr Ashdown.

He said the only only factor which had delayed his decision was strong pressure to stay on from MPs and from other party members. He emphasised that he would not play any part in the forthcoming election campaign, taken to imply that he will not endorse any of the candidates.

As Mr Steel's decision was being announced, arrangements were in hand to organise the leadership campaigns of the two most obvious candidates, Mr Paddy Ashdown, the MP for Yeovil, and Mr Alan Beith, the MP for Berwick-upon-Tweed.

Formal declarations by leadership candidates will not be made until June 1 and other contestants, who must be drawn from the parliamentary party, could still decide to stand.

Mr Ashdown will begin the contest as the clear favourite among Democrat party members, although he does not command majority support among his fellow MPs.

A poll of 803 Democratic councillors carried out this week for ITV's "This Week" programme gives Mr Ashdown 67 per cent support against 10 per cent for Mr Beith. The poll also indicated that Mr Ashdown could have beaten Mr Steel if he had decided to stand.

Genial general decides on retreat

BY MICHAEL CASSELL IN LONDON

MR DAVID STEEL'S decision not to reach out for the leadership baton of the Social and Liberal Democrats represents a *personal acknowledgement of* political fatigue and reflects his deep-rooted conviction that younger legs will be needed for the next stage of the race.

Despite all the recent agonising over his political future, Mr Steel's underlying inclination to stand down, after nearly 12 years as Liberal leader and two months as joint leader of the progressive, centre-left party he helped create, has won through.

Mr Steel will not regard his decision as a recognition of personal failure, more a realistic acknowledgement that the new party needs a fresh figurehead if it is to rekindle electoral popularity and, ultimately, lead the Democrats to power.

His recent stature within the party may well have been badly damaged by the debacle over the pre-merger policy document from which the joint leaders were forced to retreat after widespread horror at its contents among some Liberal MPs. It was a tragi-comedy for which the Liberal leader's alleged lack of interest in policy detail was held largely responsible.

But as he prepares to shift further along the second bench below the House of Commons gangway to make way for his successor, any miscalculations and misjndgments Mr Steel may have made while trying to snperimpose order npon his anti-anthoritarian party will not cloud his contribution to centre-ground politics.

His aim has remained consistent since he was first elected to Westminster in 1965 aged 26. He was at once recognised as having political flair and courage, qualities underlined with the successful promotion in 1967 of his bill to legalise abortion, and endorsed in 1976 when he became party leader after his predecessor Mr Jeremy Thorpe resigned.

His qnest, in the footsteps of Mr Jo Grimond, the father of post-war liberalism, to establish a realignment of the left, led him into the short-lived deal of 1977-8 with the Labour party, the so-called Lib-Lab pact. Its principal achievement, however, was to prolong the life of the Callaghan Government. Mr Steel was criticised for not having wrung maximum advantage from his one and only chance to exercise real power.

Before long, however, he was actively encouraging Mr Roy Jenkins and his Labour Party colleagues of the day to break away and form a Social Democratic Party which, with the Liberals, could offer an appealing, centre-gronnd option to the electorate.

The Alliance which followed was put to the test in last year's general election and failed miserably to prodnce the sought-after breakthrough at the polls. The dual leadership, combined with the obvious unease which characterised the relationship between Mr Steel and Dr David Owen, the SDP leader, confirmed the Liberal leader's belief that merger presented the only tenable option.

His conviction was, and remains, that union before the last election might well have seen the new party beat Labour into third place, to assume the role of principal opposition.

In the last phase of his effort to snbstitute the politics of power for the politics of protest, Mr Steel had again demonstrated the political cutting-edge which his ontward geniality and relaxed good humour often obscures.

Even though they accepted he had to shoulder some of the responsibility for the last-minute merger shambles, his closest colleagues believe the whole package would have collapsed without his political agility and experience. In the event, the day was saved and it was Dr Owen, the man portrayed as the dominant partner in an embarrassingly unequal relationship, who was decisively isolated.

As he goes, pledging to remain an active and enthusiastic Democrat MP, Mr Steel can claim *he has finally put* into place a fully accountable, decentralised and broadly-based party, still capable of enjoying its diversity but having placed realism on an equal footing with idealism.

Despite some voices protesting that Mr Steel had in the end betrayed the Liberal cause, most of his colleagues believe he has been a good general, marshalling slender resources and using them to maximum advantage. They admire his tenacity and professionalism.

But with only 21 MPs under the existing electoral system and a depressingly low standing in the polls – the latest Marplan opinion poll gives it only 7 per cent against 23 per cent for the Alliance parties in the last general election – the new party seems in many ways as far from its objectives as ever, a thought which must regularly have crossed Mr Steel's own mind.

United Biscuits to shed 1,000 jobs in plant closure

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

UNITED BISCUITS, one of Britain's largest food manufacturers, is to close its 48-year-old Halifax hiscuit works with the loss of almost 1,000 jobs.

The factory, part of the KP Foods subsidiary, makes mostly own-label bourbon and custard creams for supermarket chains and the Choc Dip children's snack.

Production will be transferred to other works, where up to 350 jobs could be created by the time the Halifax plant is shut at the end of next year, according to Mr Howard Brookman, KP's production director.

The company had tried to withstand rising pressure on prices, quality and service from other manufacturers in a glutted market, he said.

No jobs would go for six months, some job losses would be achieved by natural wastage, some workers would be offered positions elsewhere in the group and an advisory service would be set up to help others find work.

The closure was expected. The group still had too much capacity in 1983, when it announced its Liverpool factory had to shut with the loss of 2,000 jobs. The situation has since been worsened by the increasing activity of US group Nabisco in the UK market.

UK NEWS

BANK OF ENGLAND REPORT

Western output 'set for 3% rise'

BY SIMON HOLBERTON

OUTPUT OF the biggest Western countries is expected to expand by nearly 3 per cent this year and inflation should remain subdued, the Bank of England says in its latest assessment of the world economy.

The Bank warns, however, that growth is expected to slow in the second half of the year and that the existance of large trade imbalances is a source of tension which continues to make financial markets nervous and the process of policy adjustment difficult.

Current policies by the US, Japan and West Germany, are leading to some correction in their respective trade imbalances, with demand in the US growing at a slower rate than in Japan and German.

"But this process may not prove strong enough; it is desirable that it should be reinforced by appropriate policy measures in order to avoid unnecessarily sharp adjustments in exchange rates."

Further volatility in exchange markets could damage business confidence and could worsen further the fragility which has become apparent in the US financial system in recent weeks.

Appropriate policies would mean sustaining domestic demand growth in Japan and Germany while in the US it would require further measures to reduce the budget deficit and efforts to promote a higher rate of domestic savings.

The Bank says such policies "might become a reality under the next Administration," *thereby holding out little hope* that the Reagan Administration will address them in its remaining months in office.

Although the Bank's key forecast for the big economies – the US, Japan, West Germany, France, Italy and Canada – is in line with the International Monetary Fund's recent forecast, it says that the extent of the projected slowdown in activity is disguised by *looking* at the year-on-year growth rate forecasts.

The economies expanded their output by about 3¾ per cent in the last quarter of 1987, but the Bank expects their output to rise only 1¾ per cent in the year to the fourth quarter of this year.

The slackening in growth later in 1988 reflects in part the composition of *demand in* 1987 where there was a large rise in stocks. This may have been involuntary and may lead to a correction *in* production this year.

Consumption may also weaken in North America, due to the lagged effects of the October stock market crash. This is likely to raise savings ratios.

Growth in investment is, however, likely to be more durable, but this will not lead to any substantial acceleration in output in 1989-90, when domestic demand and output are both projected to grow by about 2 per cent.

Demand and output in major overseas economies*

Percentage changes	Estimate 1987	Forecast 1988	1989	1990
Domestic demand	3.3	2.8	1.9	2.1
of which:				
Private consumption	2.6	2.4	2.0	1.5
Private fixed investment	4.0	5.2	2.2	3.1
Public expenditure	2.4	2.8	1.9	2.1
Stockbuilding(b)	0.5	-0.3	-0.1	0.1
Net external demand(b)	-0.4	-0.1	0.1	-
GNP(c)	2.9	2.7	2.0	
2.1				

(*) Canada, France, W.Germany, Italy, Japan and US
(b) Percentage contribution to GNP/GDP
(c) Or GDP

Doubts over data cloud UK growth picture

THERE ARE signs that Britain might be returning to a more sustainable rate of growth, but the outlook is clouded by the unreliability of economic data, the Bank of England said in its Bulletin.

The Bank which had on previous occasions noted that the economy was expanding at an unsustainable pace gave a more positive assessment of the outlook.

Although the current mix of monetary policy is clearly not to the Bank's liking – it would prefer to see interest rates higher and the exchange rate at a lower level – it believes that monetary policy is tighter than it was and that policy is bearing down on inflation.

Simulations on the Bank's model of the UK economy suggest that the firmer exchange rate will hava a beneficial effect on recorded inflation and that it will also serve to reduce manufacturers profit margins.

The tone of the Bank's assessment and commentary on the UK suggests that it has moderated slightly some of its past concerns, such as wages growth and the rate of increase of the monetary aggregates.

In the past it has reserved its more forceful observations for developments in these areas of the economy.

The Bank says that overall economic activity in the UK remains strong but identifies signs of a slowdown in the *fall-off in manufacturing* output and exports in recent months.

This judgment is more than usually clouded by changes to the documentation of trade and what was probably and a erratically large fall in industrial output in February.

However, it believes that these problems are probably exaggerating the trend not pointing to a false one.

"Some slowdown had been expected, and the balance of evidence does not suggest any more than this expectation is being fulfilled," it said.

In February the Bank expressed its concern over the pace of pay settlements in the economy.

In its latest assessment it says that there are signs that pay settlements in manufacturing may be stabilising at around $5\frac{1}{2}$ per cent – $\frac{1}{2}$ per cent to 1 per cent higher than a year ago – while elsewhere in the economy *settlements* are averaging around $6\frac{1}{2}$ per cent.

It also points out the effect of overtime payments on underlying earnings *growth*. Last year overtime inflated underlying earnings by 1 percentage point, which, if stripped out, would mean that the underlying growth in earnings in manufacturing last year reamined broadly unchanged.

The Bank, however, emphasised that the growth in earnings meant that the sustained improvement in output and productivity recorded last year only allowed for a very limited improvement in competitiveness.

"Indeed local currency relative unit labour costs worsened by $2\frac{1}{2}$ per cent in the fourth quarter of 1987."

It notes further that even if output and prodctivity were to continue to grow this year the current level of underlying earnings in conjunction with a firmer exchange rate would reinforce this loss of competitiveness.

On other domestic trends it notes that personal consumption is still strong and has been buoyed by the growth in earnings, employment and a fall in the savings ratio.

Tha underlying trend in retail sales is buoyant. Rising employment and real earnings have also given a fillip to house prices.

A beneficial side effect of this has been a recovery in housing construction, which in January, was at its highest level since 1973.

A continuation of this rate of growth would, however, increase the stock of housing in the UK by 1 per cent, which would have only a minor effect on house prices.

Elsewhere, the Bank attempts to answer the concerns in domestic financial markets over the rapid rise in the monetary aggregates by saying that they have been distorted by a number of factors.

The growth in broad money, M3, was boosted significantly by "round tripping" earlier in the year, as companies took the opportunity to make money from the difference between borrowing and lending interest rates.

Also, figures for the narrow measure of money, M0, were distorted by Easter.

Financial advertising and the interests of small investors

BY PHILIP RAWSTORNE

FT CONFERENCE
Financial Communications and Advertising

NEW REGULATIONS for financial advertising would greatly strengthen investor protection, Sir Kenneth Berrill, chairman of the Securities and Investments Board, said in London yesterday.

Making his last public speech before retirement, Sir Kenneth told a Financial Times conference on financial communications and advertising that the need for better investor protection, after changes in the financial services industry over the past few years, was undeniable.

Sir Kenneth robustly defended the regulation of advertising. Initial impressions gained from it were likely to influence small investors' decisions on where and how to place their money, he said. "We are all Aunt Agathas now. No-one is really competent to analyse what is being put before them without help."

The new rules would mean that material in advertisements would be fair and accurate; that for the first time the advertisements would be scrutinised by *regulators with specialist financial* training; and that compliance with the rules would be quickly enforced.

The regulations were necessarily complex, Sir Kenneth said. But SIB's role was to try to ensure that investors received the same level of protection from inaccurate advertising, whatever *investment* was being made.

Strong support for the new rules came from Mr John Smith, Labour Shadow Chancellor. The public needed the best protection that could be devised against its own indifference, ignorance, or even their less desirable instincts, so that the financial services industry acquired a reputation for honest dealing as well as the efficient and profitable despatch of business.

Mr Smith paid tribute to the work of the Advertising Standards Authority and the Code of Advertising Practice Committee in maintaining proper practice in advertising.

But tougher controls were being required by governments throughout the European Community over all forms of advertising. "Advertising is a dynamic *motor* of *consumer demand*. It can crucially affect the choice of consumers on decisions which may be basic to their security and well-being," he said.

The result of the new rules, he suggested, would not be a series of sanctions but the creation of a threshold of standards below which the provider of financial services *would consider it foolhardy* to operate.

He added: "While the new rules may give some headaches to the ad-men and their clients, the public interest requires that the balance be tilted in favour of the consumer."

Some of the headaches were in evidence. Questions about the authorisation of certain financial advertis*ements failed to elicit* firm answers from speakers such as Mr Tim Miller, managing director of Framlington Group, or Mr Martin Vile, director of the SIB's intermediaries division.

Financial "tombstone" advertisements, as a matter of record only, would probably not be treated as investment advertisements, it emerged. But uncertainty still shrouds the treatment of announcements of a company's annual or interim results.

Mr Miller, chairman of the advertising committee of the Life Associations and Unit Trusts Regulatory Organisation, said that the definition of an advertisement covered essentially "every piece of printed material produced."

Mr John Morgan, chief executive of the Investment Management Regulatory Organisation, also suggested that the way in which the regulatory structure had been established had built in stresses which could lead to inef*fectiveness and early crisis. Rule* books would have to be revised in time, he suggested. In the months ahead, there could be a major problem in maintaining a measure of consistency between the practices of the SIB and the SROs.

Mr Mark Boleat, director-general of the Building Societies *Association, doubted* whether the SIB had achieved protection of the consumer through its rule book. "One danger is that if one produces a massive rule book then any suggestion of working within the spirit of the rules disappears...no doubt some institutions will be looking to exploit every loophole they can."

Cut in chip output to cost 400 Philips jobs

BY TERRY DODSWORTH

PHILIPS Components, the UK subsidiary of the Netherlands-based Philips electronics group, is planning to end most of its semiconductor production at its Southampton plant, on the south coast, with the loss of about 400 jobs.

The move is part of an international reorganisation of the group's component activities. Philips has recently been investing heavily in semiconductor manufacturing, a field in which it *is the leading* West European producer. But it said yesterday that the Southampton facility was now outdated, and would require between £150m and £200m to modernise.

As part of the reorganisation, however, the Southampton facility will become the group's centre for the design and development of semi-custom chips.

This will demand new investment in design processes and engineers, but not enough to compensate for the loss of jobs. The plant today employs some 1,400.

In addition to the design facility, the plant will retain produc*tion of infra-red detectors* used in night-viewing equipment, along with a range of specialised components.

The change in the role of the Southampton plant coincides with a rapid expansion in the semi-custom chip market throughout the world.

These components, known as *Application Specific* Integrated Circuits, or ASICs; allow customers to buy standard semiconductors which also contain a few specialised circuits. This means that users have access to highly specialised designs at a fraction of the cost of a normal custom-built chip.

Philips Components, which has *just changed* its name from Mullard, said yesterday that ASICs are at the heart of most consumer electronio products, and that the products designed at Southampton would be used in a wide range of such applications.

These included videotex and digital audio systems, satellite television, cellular radio and TV remote systems, all products in which the parent group has a strong position. Work on the development of microchips for cordless telephone technology, a field in which the UK is currently establishing a world lead, will also be concentrated at Southampton.

Museums seek £20m injection to stave off cash crisis

BY ANTONY THORNCROFT

LEADING MUSEUMS in Britain have called for an additional £20m of Government funding to avoid a deepening cash crisis.

The call for cash came yesterday from the Museum and Galleries Commission – which represents 19 major museums – *in response to criticism of* the management of museums by the Government's National Audit Office.

It is the first joint initative by the museums for many years and reflects the widespread view that the Government is keen to "privatise" museums by freezing their annual grants and forcing them to look to alternative sources of income, such as admission charges.

Professor Brian Morris, chairman of the commission, who introduced the report yesterday, said the additional money, which would lift the grants to the 19 museums to £200m a year, was needed to sustain core activities, such as buildings, conservation and scholarship. He admitted that money for development and exhibitions could come from private and corporate patronage and new sales initatives.

The report responded to other criticisms by agreeing that more effort should be made by museums to exchange works of art and expertise, both around the UK and abroad. On the vexed question *of selling off surplus objects*, languishing in stora, the report said that this decision should be left to the trustees of individual museums.

The report reveals that attendances for the 19 museums totalled nearly 26m a year.

UK NEWS

Law 'powerless to prevent copying of tapes'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

BRITISH LAW as it stands is powerless to prevent widespread "home copying" of music on tape recorders in breach of copyright, the law lords acknowledged yesterday.

"No-one is to blame for the present situation," said Lord Templeman. "Copyright law could not envisage, and now cannot cope with, mass production techniques and inventions which create a vast market for the works of a copyright owner but also provide opportunities for his rights to be infringed."

From society's point of view the present position was "lamentable", Lord Templeman said. Home copiers were committing millions of breaches of the 1956 Copyright Act every year.

"Whatever the reason for home copying, the beat of Sergeant Pepper and the soaring sounds of the Miserere from unlawful copies are more powerful than law-abiding instincts or twinges of conscience.

"A law which is treated with such contempt should he amended or repealed."

The Law Lords dismissed an appeal by the British Phonographic Industry (BPI) against the Court of Appeal's decision in February last year to strike out an action by which BPI tried to at least limit, if not eliminate, the opportunities for home copying.

BPI, which represents record makers, had sought injunctions stopping Amstrad Consumer Electronics and Dixons, an Amstrad retailer, selling cassette recorders with a copying facility.

Lord Templeman said that it was estimated that in 1984 about 40m records and 70m blank tapes had been sold. On average there would now be two infringing copies of a record for every authorised one.

Copyright infringements by a home copier were almost impossible to detect and a successful infringement action against one copier would have little deterrent effect.

He said that the appeal was the climax of a conflict between the makers of records and the makers of recording equipment.

Amstrad had marketed a recorder that enabled tape-to-tape recording at twice the normal speed, provoking BPI by what the judge characterised as "hypocritical and disingenuous" advertising.

The advertising stated that "you can even make a copy of your favourite cassette" but that "the recording and playback of certain material may only be possible by permission."

BPI contended that the advertisment was an encouragement to break the law and that Amstrad was "authorising" copyright infringement.

Lord Templeman: legal position 'lamentable'

Lord Templeman said that nothing in the Copyright Act inhibited the invention, manufacture, sale or advertisement of electronic equipment capable of lawful or unlawful reproduction.

No manufacturer and no machine authorised the purchaser to copy unlawfully. By selling the recorder Amstrad might facilitate copying in breach of copyright but it did not authorise it. Amstrad had no control over the use of its recorders once sold.

Nor did Amstrad's advertisement authorise unlawful copying; on the contrary, it warned that some copying required permission that Amstrad had no authority to give.

"Amstrad's advertisement," said Lord Templeman, "was deplorable because Amstrad thereby flouted the rights of copyright owners.

"Amstrad's advertisement was cynical because Amstrad advertised the increased efficiency of a facility capable of being employed to break the law. "But the operator of (an Amstrad recorder) can alone decide what material is to be recorded.

"The Amstrad advertisement is open to severe criticism but no purchaser of an Amstrad model could reasonably deduce that Amstrad possessed or purported to possess the authority to grant permission for a record to be copied."

Ruling against BPI, Lord Templeman said that the case would have served a useful purpose if it reminded parliament of the grievances of the recording companies and other owners of copyright, and drew parliament's attention to the fact that "home copying cannot be prevented, is now widely practised and brings the law into disrepute.

Copyright 'losing race against technology'

MR PATRICK ISHERWOOD, BPI's legal adviser, said after yesterday's hearing that BPI had known for a long time that copyright was losing its race against technology but had hoped that it might be able to provide some protection for copyright owners.

To that extent it was deeply disappointed by the result, but heartened by an opportunity to rectify matters with the Copyright Bill now going through parliament.

Amstrad commented: "Today's judgment vindicates Amstrad's decision to continue with its marketing plans, despite the combined threats of nearly every record company and music publisher in the country."

Mr Alan Sugar, Amstrad chairman said: "We are not going to be bullied by powerful record and music industry pressure groups into withholding from consumers the advantages of developing technology.

"We are now able to market across Europe the same equipment which we sell in Britain. The BPI case, in effect, was limiting our ability to view Europe as one single market.

"Amstrad will continue to develop and produce at realistic prices quality and state of the art products which our mass market consumers demand."

TELETEXT SERVICE URGED TO WIDEN SHAREHOLDER BASE

Oracle likely to seek flotation

BY RAYMOND SNODDY

ORACLE, the teletext service owned by the ITV companies, is considering a Stock Exchange flotation.

The company, which is expected to have revenues of £5.5m this year and pay its first dividend after years of losses, is, like Independent Television News, being encouraged to investigate ways of widening its shareholders hy the Independent Broadcasting Authority.

Mr Peter Bailey, Oracle managing director, said yesterday: "The IBA is increasingly recognising us as an independent company and encouraging us to look at new developments."

Under the extention of ITV contracts from the end of 1989 to the end of 1992 Oracle will, for the first time, have its own teletext franchise rather than being an appendage of the ITV television contracts awarded by the IBA.

Teletext is the text and data service carried on spare lines of the television signal and, according to the most recent research, 4m adult viewers look at Oracle each day, about the same number who watch, the similiar BBC system.

Because Oracle will have to win a renewal of its separate franchise in 1991/92, probably against competition, it is unlikely that a flotation can happen before its future franchise is secure.

Oracle, funded by advertising, particularly in sectors such as travel and horse racing, relaunched its service in 1985 with what it believes are all features of a daily newspaper in electronic form. The "newspaper" is spread over both ITV and Channel 4.

Oracle has recently written to the Cabinet commitee looking at the future of British broadcasting pleading that "the world's first commercially viable teletext service which stimulates demand for higher value television receivers" should not be overlooked.

Oracle, which already has a joint venture with Aircall for subscription teletext services, is now looking at the possibility of setting up a European teletext news service through Astra, the medium-power television satellite due to be launched towards the end of this year.

Digital enters financial data services

BY TERRY DODSWORTH

DIGITAL EQUIPMENT of the US, the world's second largest computer group, is entering the British market in telephone-based information services with a range of products aimed at the financial sector.

The company's move into the information service field, generally known as Value Added Data services, was heralded with the launch of a life assurance quotations system for the use of insurance brokers.

Over the longer term, however, Digital is planning to expand into quotations for other retail financial products, such as savings and personal pension plans.

The company declined to say yesterday how much it had invested in the service. But it has set up two computer centres in Berkshire to handle the central computing for the system. It has also set up several regional centres and a telecommunications network to link them with end users.

Computerised financial quotations services have attracted increasing attention over the past year because of one of the provisions of the Financial Services Act which makes it obligatory for brokers and other financial intermediaries to offer "best advice" to their clients.

Best advice means that brokers have to be able to show that they have given customers an unbiased appraisal of contracts on offer. In addition, brokers have to keep records of their proposals to show how they have reached their conclusions.

Digital's computerised system will allow users to gain access to a variety of quotations from different life assurance companies on a standard personal computer. In the last quarter of this year, the company is planning to add a transaction service that will enable clients to fill out a proposal form electronically and receive confirmation on the spot.

Estimates of the size of UK information services market vary widely, but some analysts believe it will reach about £343m this year, and that growth is in the order of 40 per cent a year.

In the insurance quotations field, the market leaders are believed to be Istel, the employee-owned company spun off by the Rover car group last year, and British Telecom's value added services division.

Government intends to broaden company investigation powers

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE GOVERNMENT intends to introduce wider powers of investigation under the Companies Act 1985 and the Financial Services Act 1986.

Lord Young, Secretary of State for Trade and Industry, told the House of Lords that more resources would be devoted to the effective enforcement of the law and of self-regulatory requirements.

This would follow his department's review of powers and procedures available for investigating possible malpractice. The department's key enforcement activities are to be brought together in one division.

Under proposed amendments to existing laws, the Government intends to halt the practice of announcing the start of investigations into suspected cases of insider dealing under the Financial Services Act. The only exceptions would be when ministers believe it would be in the public interest to do so, although important Companies Act investigations would still be announced.

Lord Young said he had decided, in respect of insider dealing investigations, that the interests of efficiency and justice were best served by not normally announcing or confirming that inquiries were under way.

He said, though, that he would consider making an announcement if he believed it would be in the public interest and cited a case in which pnblic officials were thought to have been involved, or one in which there had already been publicity for an investigation.

The department's review has also concluded that, while the present range of investigative powers available was generally adequate, more scope and flexibility was needed

The proposed changes would thus enable the general powers of company investigation under Section 432 of the Companies Act to be used in cases of suspected fraud or misconduct when the prime purpose was to consider the case for prosecution or regulatory action.

THE COST to a foreign bank of running a small to medium-sized branch in London now exceeds £1m a year, mainly because of soaring rents, writes David Lascelles.

Noel Alexander Associates, the management consultant, says it would also cost a bank nearly £1.9m to open such a branch.

The cost of opening a medium-sized branch is now £2.75m, up from £2.5m last year, and annual running costs are £1.6m, up from £1.5m.

Putting trust in property

By Paul Cheeseright

PETER ARCHER went back to his desk after a management meeting of the Lazard Property Unit Trust and found a message from a merchant banker. He returned the call. Were there, he was asked, any units in the trust available for sale?

It was not the sort of qoery he was accustomed to receiving. Property unit trusts were about the dnllest form of investment on the market. The answer was, of course, that there were some for sale. It was June 1987. Mr Archer did not know that afternoon, but later he could look back and see it as a turning point.

A turning point for two reasons. First, because it signalled that tha pension funds and charities which invest in trusts like Lazard were about to halt their retreat from the property market. Second, because from the middle of last year the returns the property unit trusts were offering began to climb rapidly as the effects of the property boom seeped through into their portfolios.

The Lazard Property Unit Trust, which is managed by Mr Archer, is now the largest in the country following the sale last year – ironically just as market conditions were swinging their way – of the Pension Fund Property Unit Trust and the Fleming Property Unit Trust.

So it is a barometer both of the pension fund view of property as a medium for investment and of institutional performance in the market.

Institutional returns on property have been increasing and the Lazard trust reflects that. In 1985 and 1986, its returns were respectively 7.8 and 8.7 per cent, against an average measured by the Phillips and Drew Property Unit Trust Index of 5.7 and 3.9 per cent.

Last year this index gave an average return for the sector of 19 per cent, largely because of an uplift starting in the third quarter. Lazard's return was 22.9 per cent, and is still going np. In the year to April 1988 it was 25.29 per cent, which will probably turn out to be higher than the Phillips and Drew average for the sector, when it is published shortly.

Again, in 1985 and 1986, when the pension funds generally were much more interested in equity than property investment, the Lazard Property Unit Trust was forced to redeem units – 6592 in 1985 and 5898 in 1986 as investors pulled out. By March 1987 it had on issue 73,852 units.

The picture began to change after the merchant banker's call. Now there are 80,984 units outstanding and the number of investors has increased to 230 from 160. At the same time there has been a steady rise in the price of the units to £2880 from £2420 in June 1987.

Subscriptions recently have been coming in at the rate of up to £3m a month. This demand, combined with a lift in valuation of the property holding itself, has raised the asset value of the trust to £225m from £204m four mooths ago and £167m in March 1987.

The rising value of the portfolio is not just a factor of rental growth in the property sector as a whole. It springs at least in part from an active development policy dating back to what Mr Archer called "the dark ages of property investment before 1987."

To make the trust attractive to the pension funds it had to be doing things which individually the pension funds were unlikely to do themselves. "We traded, we reduced the number of properties, we developed the philosophy of larger lot size," said Mr Archer.

"With accelerated development, you get better yields, you get the benefit of rental growth in the development process, yon end up with a better quality building. That's tha theory anyway," he added. Of the 33 properties in the portfolio, largely in the South East, 90 per ceot were created by development or by funding development companies.

Lazard Property Unit Trust's most valuable direct development is at King William Street in the City of London (above). Tha trust offers pension funds one way of taking part in collective investment spread over offices, retail and industrial property. Inner City Enterprises offers another. Both are commercially driven, but ICE uses institutional finance where the funds are often reluctant to go on their own – depressed inner cities.

Cutting the ice in the inner cities

By Hazel Duffy

AMID ALL the shouting about inner cities, the voice of Inoer City Enterprises has sometimes been hard to hear. This was deliberate. ICE, set up by a clutch of financial institutions in 1982 to test the commercial viability of opportunities in the inner cities, has been quietly going about its business.

Now, the company believes it has a good enough track record of commercial successes with which to go back to those institutions and ask for more backing. Given the greater institutional interest in property investment, the timing looks good.

ICE was set up in the heyday of Mr Michael Heseltine's pioneering efforts to get the private sector involved in the inner cities, on the advice of his Financial Institutions Group. There was no shortage of projects, but few that tempted the institutions. Property investment generally was not popular. Trying to prove that money could earn a respectable retnrn from developing run-down bits of cities was an nphill task.

But ICE, then acting in an agency role, managed to make the commercial point with a few small projects. One was in a deteriorating Georgian square in Birmingham, where three-and-a-half listed terraced buildings were converted by Guardian Royal Exchange Properties to form 5,275 sq ft of offices.

The project yielded a profit of £46,500 – after half of Government urban development grant was paid back under the clawback provisions – on costs of £333,000.

The next step – in 1985 – was to persuade the institutions that ICE should be a developer in its own right. As a result, the largest shareholders are now the Prudential, the British Gas pension fund, and Norwich Union, and total equity is around £4m – tiny when put beside their property investments, but enough for ICE to further prove its point that inner cities can make commercial sense to the insurance companies and pension funds.

A semi-derelict site near Greenwich town centre presented one such opportunity. In partnership with the local council, ICE has completed a mixed-use development which has produced a profit of 16 per cent of net development cost, shared between the council and the company.

Mr Charles Brocklehurst, ICE managing director, says that inner city development "can be commercially led, and have a social spin-off".

The company's boldest move was to buy the industrial properties of the defunct Greater London Council, for which it paid £48.6m, financed by a syndicate of seven insurance companies headed by Prudential and Norwich Union. It also brought about £40m of funds together for the development of a part of Whitechapel, but the scheme was rejected by the local council.

With property investment and inner cities in fashion, and the institutions wanting to put a toe in the water, competition to develop sites is increasing. But Mr Brocklehurst is convinced that they will always want a commercial return. The problem is finding ways to do this in the most unattractive parts.

One idea that he thinks is gaining acceptance is that of equity mortgages, again floated originally by the FIG. The details have still to be worked out, but it could be a way of developing big sites, possibly derelict, in areas where values are difficult to determine.

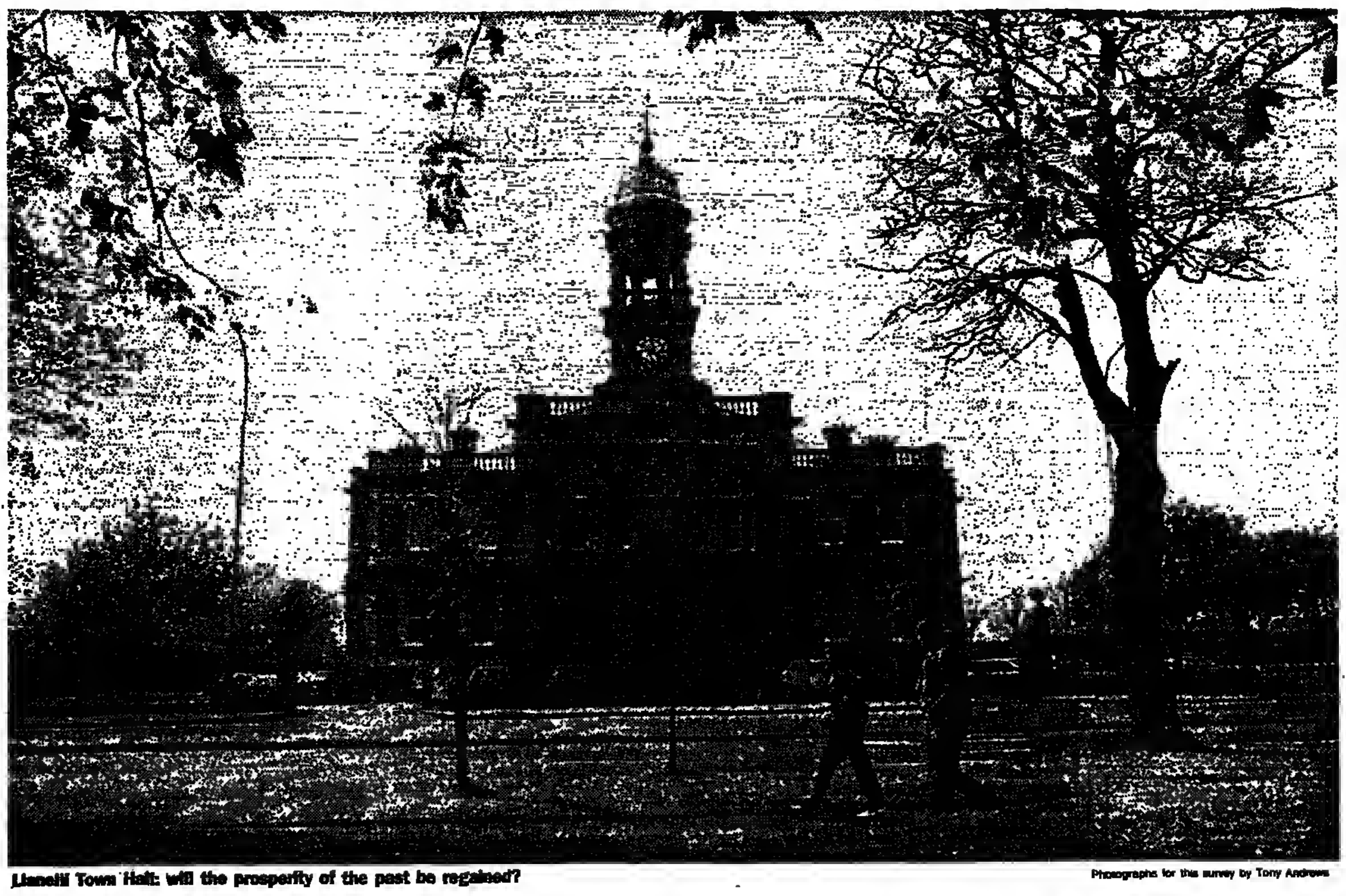
The novelty element is that public money would be needed, particularly in the early phases, as in the urban development corporation areas, but there would be provision for the State to get a return. Private money would be the long-term finance, drawn down from a specially created investment fund, with low interest.

FINANCIAL TIMES
SURVEY

Its dependence on traditional manufacturing meant that Llanelli was badly hit by the early 1980s recession. But now it is clearing up past dereliction and laying the foundations for a balanced economy based on leisure as well as industry.

A four-page survey by **Robin Reeves**

A landscape transformed



Llanelli Town Hall: will the prosperity of the past be regained?

Photographs for this survey by Tony Andrews

Llanelli and South-West Wales

LATER THIS month, many of Llanelli's famous sons will assemble in the town at the invitation of the borough council to be shown some of the radical changes which are taking place in the life of the community.

Presided over by Lord Elwyn-Jones, the former Lord Chancellor, the gathering is due to include Mr Michael Howard, MP for Folkestone and Minister of State at the Environment Department, Professor John Thomas, President of the Royal Institution, and a host of university professors, distinguished in various fields of science and engineering.

The hope is that they may at some stage be able to use their influence to encourage companies with whom they have dealings and which may be looking for somewhere to expand or relocate to consider Llanelli.

These prodigal sons, even if they have not been back for years, will find many aspects of Llanelli life unchanged. The special warmth and friendliness of the people are still alive and well. Llanelli's reputation as the town with the prettiest girls in Wales is still deserved.

Rugby, too, remains an abiding passion. (The borough includes the Gwendraeth Valley, location of the fabled Welsh fly-half factory which has produced so many world class rugby players, the most recent being Jonathan Davies, the current Llanelli and Wales stand-off half.) So does snooker, thanks not least to the exploits of another famous son, Terry Griffiths, finalist in the recent World Professional Snooker Championships.

But they will also find some big changes. The roads which used to meander through the surrounding villages have been superseded, as far as communications with the rest of the country are concerned, by a fast new link road between the town centre and the M4 a few miles to the north.

On the eastern outskirts, within sight of the giant Trostre tinplate works, a major £16m retail park is under construction, which will give a new dimension to the commercial life of the town. Even more radically, Llanelli's foreshore, once a byword for industrial and military dereliction, is the object of a major land reclamation and urban renewal effort which in two years' time will have transformed the local landscape.

Mr Wyn Pryce, the Welsh Development Agency's regional manager, says that as these major improvements in the local economic infrastructure move towards fruition, the area will become a significant pole of attraction for inward investment.

"Cardiff's docklands redevelopment has been grabbing a great deal of publicity and attention. But here in Llanelli, the infrastructure improvements are taking place across a far wider front. Something like 10 miles of coastline is involved. And they offer a wide range of private investment opportunities in leisure, tourism and residential developments."

Llanelli may even get its own tidal barrage. This would be constructed across the mouth of the River Loughor, the historic frontier between Llanelli and West Wales, and Swansea and Glamorgan to the east, along the line of the Loughor bridge.

All these developments are a far cry from Llanelli's historic economy which was based upon coal, steel, engineering and, above all, tinplate. As recently as the 1950s, many hundreds of workers were employed in local tinplate handmills — sheets of steel were passed by hand through baths of molten tin. This craft, dating back to the beginnings of the Industrial Revolution, was rendered obsolete overnight by the opening of Trostre, the tinplate mill which dominates the town's eastern outskirts and which brought in the process of electrolytic tinning.

As it turned out, the local economy proved sufficiently buoyant to absorb the job losses stemming from this technological advance and from the contraction of the coal industry which was particularly pronounced in the 1960s and which has reduced the number of pits in the borough to just two — Betws and Cynheidre. Both produce anthracite for which there is an insatiable demand. The former is one of the most profitable mines in Europe and the latter is the subject of a £30m expansion.

With the onset of more recessionary conditions in the 1970s, Llanelli initially maintained an unemployment level significantly below the national average. But it was still a narrowly-based economy, with an exceptionally high 60 per cent of the working population in manufacturing. Moreover, 75 per cent of the manufacturing labour force worked in just three industries — metals manufacture, mechanical engineering and vehicle engineering.

When the more intensified recession of the early 1980s hit the local economy, it suffered a sudden, very steep, rise in the level of unemployment. The biggest single body-blow was the closure of Duport steelworks, resulting in the direct loss of 1,300 jobs. This came as part of a UK restructuring deal with British Steel covering the engineering steels market. The blow was particularly bitter since only months before Duport had decided to concentrate its steelmaking in Llanelli and most of the plant and equipment was new.

An avalanche of other manufacturing closures and redundancy announcements in the period 1980-83 resulted in the loss of some 11,400 jobs. The Ministry of Defence unveiled plans to close the Royal Navy Stores at Llangennech, involving hundreds of job losses. "It reached the point where we were frightened to pick up the telephone," Mr Alun Bowen Thomas, the borough chief executive, recalls. Indeed, some citizens were so concerned that they organised a service in the town centre to pray for divine deliverance from the continuing loss of jobs.

The level of unemployment eventually reached 22 per cent. But dramatic job losses elsewhere in Wales, particularly in the steel industry, tended to overshadow Llanelli's economic difficulties. The WDA was prevailed upon to develop a new industrial park at Dafen, on the town's northern outskirts. The resources of the Manpower Services Commission were brought to bear to tackle a growing problem of long-term unemployment. But the area was not made a Development Area even though its jobless level rose higher than some which had that status.

By and large, Llanelli borough council was left to cope as best it could. The council came forward with a three-fold strategy. The first was to supplement the WDA's Dafen Industrial Park by developing other industrial estates, notably at Cross Hands and at Trostre. These have proved to be very successful.

At Trostre, the borough council was faced with the difficult decision of granting planning consent to Tesco to develop the site, even though it was originally earmarked for industry and will compete strongly with the town centre shopping area whose freehold is owned by the council.

The second arm of the strategy was to build, with the assistance of Urban Aid grants, a series of workshops to encourage the growth of small businesses. Since 1981, some 120 workshops in three complexes have been constructed. They are run by the Llanelli Enterprise Company, a local public-private sector joint venture sponsored by 25 organisations. It is able to tap the funds available for business development from BSC (Industry), British Coal Enterprise and the WDA as well as provide accommodation on easy terms and other supports for young businesses.

The third arm of Llanelli's recovery strategy has been a concerted drive to clear up the industrial dereliction of the past and create an environment for the 1990s which, in the words of Mr Bowen Thomas, "is at least as attractive from the point of view of industry and leisure as Heathrow, Holland or anywhere else in Europe."

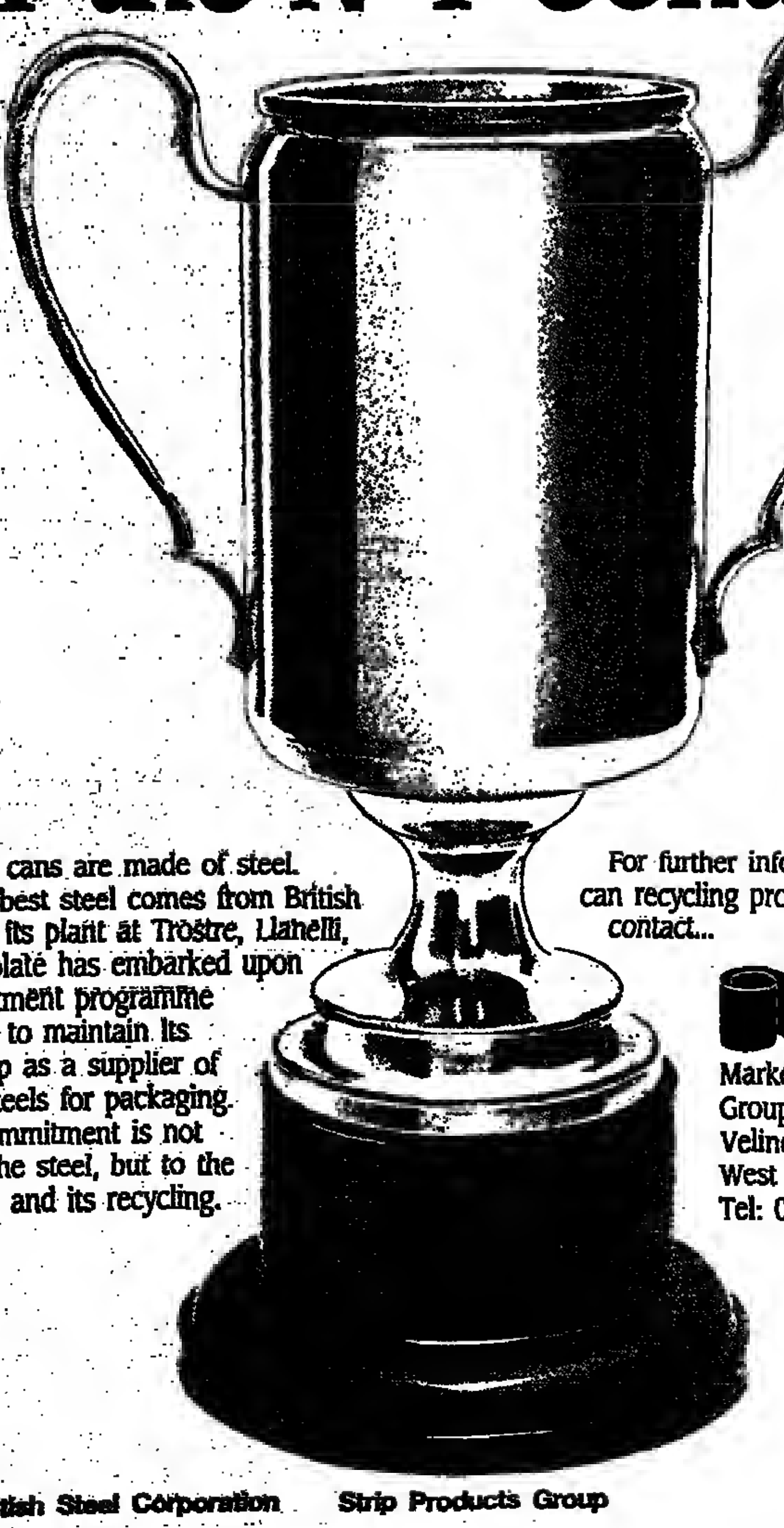
This process is now well under way. There is every chance that it will be accelerated with more funds under the long-awaited Valleys Initiative. Mr Peter Walker, the Welsh Secretary, is due to unveil details shortly.

The area's qualities for industry have long been recognised. But it was a study commissioned from Mr Francis Tibbalds, current president of the Town and Country Planning Institute, which identified its exceptional tourism potential.

From this has stemmed the Machynys Wildfowl Centre, the Welsh Motor Sports Ceotre and the Kidwelly Industrial Museum — all projects which have been developed in areas previously condemned as derelict.

It has also led to the addition of new facilities, such as a narrow gauge and miniature railway, as well as a ski slope, to increase the attractions of Pembrey Country Park, a 600-acre beach and woodland couotry park where there was once a sprawling ordnance factory. It now boasts one of the cleanest beachesin Europe and attracts 300,000 visitors a year.

The recovery still has some way to go. But Llanelli believes, with good reason, that it has now laid the foundations for developing a more balanced economy. The trends are in the right direction. Uoemployment has come down to 15 per cent. Transport communications are no longer an issue. Road and rail improvements have brought Londoo within four hours' drive and three hours' train journey. Many of the key local employers have been investing and are recruiting again. Above all, a feeling of greater prosperity and well-being has begun to return to the town.



Economic recovery has been based largely on expansion by indigenous companies

The natives start to get bigger ideas

THERE IS a distinctly more optimistic mood in the economy of Llanelli and sonth west Wales these days.

"We first noticed signs of a pick-up two years ago and it has gradually spread west," Mr Wyn Pryce, regional manager of the Welsh Development Agency, says. Even more heartening, he argues, is that the recovery has been based largely on an expansion of activity among indigenous companies which survived the recession, rather than through an influx of inward investment – as is the case in south-east Wales.

This is particularly true of the two major local employers, British Steel Corporation's Trostre tinplate works and Llanelli Radiators (see separate articles).

Within the past six months too, the first 10 advance factory units to be huilt on the WDA's Dafen Industrial Park, which was constructed after the closure of Duport steelworks, have now been filled, mainly by expanding local companies.

A major occupier is Avon Inflatables, which established itself in Llanelli in 1965 with 10 employees and a turnover of £50,000 a year. It has just acquired a further 80,000 sq ft at Dafen to meet a growing export demand for its extensive range of inflatible marine craft.

Today, the company employs 300 and has a turnover of well over £10m, 70 per cent of it overseas.

Two other local companies which are expanding at Dafen are Abbey Ressarch and Development which has moved into the park to establish an industrial chemicals manufacturing units, and Daniel Fans, which began in a local workshop and is now exporting its range of industrial fans all over the world.

The exception to the indigenous expansion rule is Home Delivery Services, a subsidiary of Littlewoods Mail Order, which has just taken a unit, creating 90 jobs.

The WDA is preparing to extend Dafen by bringing forward more serviced land in the next 12 months, either for custom-built premises or construction of another six advance factory units.

In these circumstances, it is hardly surprising that the private sector is also beginning to take more interest in the local industrial property market. Three Oaks Investment has just purchased by tender 10 acres of the Llangennech Royal Naval Stores which are being wound down and are due finally to close next year. The Slough-based property group outbid rival tenders for the site which currently contains five factory units of 20,000 sq ft each, from the borough council and other local interests.

It suggests there will be keen interest in the next phase of the *Llangennech sell-off next* month, when tenders are being invited for a further 11 acres containing another seven units of 20,000 sq ft each.

Among other key local developments is a major expansion by Ina Bearing, the UK subsidiary of the German-owned international bearing manufacturer, which has been based in Llanelli since 1956. The company has just finished investing £1m to expand production capacity by 50 per cent and meet increasing demand for its comprehensive range of roller bearings.

UKO, ths UK subsidiary of the American Optical Corporation at Kidwelly, has just put the finishing touches to a £1.5m expansion of its productioo capacity. The investment is designed to double output of ophthalmic lenses to 80,000 pairs a week. The company hopes both to increase its share of the UK ophthalmic lens market – which it puts at over 30 per cent – and meet the supply needs of its US parent company's sales affiliates and laboratories on the Continent.

The decision to source the needs of the continental market from Kidwelly represents a major *vote of confidence in the Welsh* plant. It follows last year's US purchase of the British group and its closure of a manufacturing facility in Scotland and sell-off of another production unit in Northern Ireland.

The Delta Group has invested £4.7m in Llanelli to upgrade its copper wire drawing facilities and install an additional electrolytic tinning line.

Another well-known local company, Buckley's Brewery, has just embarked on an expansion path following its recent takeover by Leeds businessmen, Mr Guy Cramer and Mr Peter Clowes.

The oldest hrewery in Wales – it was founded 220 years ago – Buckley's is seeking to establish new outlets across the border in England in areas where, in the words of Mr Michael Willcocks, the new managing director, "there are decent-sized pockets of population which are sufficiently underlicensed to warrant us making a market penetration."

Customline, a manufacturer of presentation boxes and jewellery cases which trades as Design Philipp, has just extended its Llanelli premises by more than a third to 53,000 sq ft to meet *increased demand for its products.*

Regent Hospital Prodncts, local subsidiary of LRC Products, has recently completed a new clean room extension and taken on 25 per cent more staff. The Llanelli plant tests, grades and packs the company's range of surgical and medical gloves.

Another local management buy-out success story is Dyfed Joinery. Formerly part of the Thyssen engineering group, it was bought out 18 months ago by local management with assistance from BSC(Industry) and British Coal Enterprise, since when its turnover has increased to over £1m, 36 per cent above forecast.

In the north of the borough, European Profiles of Ammanford, a subsidiary of the RTZ Pillar group, is enjoying particularly buoyant demand for its wide range of roofing and cladding products for industrial and farm buildings. Between 20 and 25 per cent of the company's turnover, now in excess of £10m, is coming from exports, mainly to the Middle and Far East.

Another Ammanford-hased company, Morgan Marine, engineers in reinforced plastics, has recently reported an order book of £10m for its range of buildings, enclosures, kiosks, snbstations and allied structures, many of *them defence-related.*

The Avon Inflatables workshop on the Daven Park Industrial estate

Tinplate

Steel cans fight back

THE British Steel Corporation's Trostre tinplate works, Llanelli, is in the forefront of the revival in the British steel industry's fortunes.

Trostre is the anchor works for BSC tinplate production and one of the largest tinplate mills in Europe. Its products are used for the packaging items as diverse as food, cosmetics, cleaning materials, petfood, polishes, motor oils, paint, *agricultural chemicals*, kitchen ware and utensils, and engineering components.

Only a few years ago, Trostre, along with BSC's other tinplate plants at nearby Velindre and Ebbw Vale, *displayed all the hall*marks of an industry under siege. Apart from the general crisis gripping the steel indnstry, it faced sharply increased competition from rival packaging materials. Major redundancies and other retrenchment measures were introduced to cut costs, and fears were widespread that at least one of the three plants would close.

As it has turned out, the combination of these highly painful retrenchment measures and a substantial programme of capital investment to improve quality gave Trostre and the other two tinplate works the ability to hit back.

This is particularly true of the all-important beer and soft drinks packaging industry. During 1987, a number of can-making plants switched from using aluminium to steel for their operations. As a result, according to Mr John May, BSC Tinplate's market development manager, steel cans' *share* of the 5bn cans per annum UK beer and soft drinks market increased from 54 to 57 per cent over the year.

Over the period 1984-87, the increase in the number of steel cans used for soft drinks in the UK beverage market was even more pronounced, showing a threefold increase to around 1.5bn. This recovery contrasts with the US where aluminium cans have captured all but a residual share of the beverage can market. Among other developments, it has encouraged the three major European tinplate producers, BSC, Hoogovens of the Netherlands and Rasselstein/Otto *Wolff of West Germany to* join forces and develop an easy-open steel end to replace the aluminium ring pull end currently used on most beverage cans.

Test marketing of cans with a two-button, non-detachable, steel end in various European regional markets has evidently proved very encouraging.

The fightback by Trostre and the other tinplate plants is the result of a sustained programme of capital investment to achieve improved quality and yield, and to reduce the energy requirements of manufacture.

The plants have gained enormously from the introduction of continoous casting facilities and a new hot rolling mill at Port Talbot. As well as providing a strip steel of more consistent quality, these and other investments have reduced the energy input between ore and finished plate since 1977 by 30 per cent.

Trostre has benefited substantially from the introduction of *compnter-control technology* involving expenditure of some £10m over the past five years. This includes notably the microelectronic gange control on Trostre's five-stand Tandem mill, developed by BSC, which has established a sheet steel flatness standard in advance of anywhere else in the world.

Even higger investments in improved quality are in the pipeline. This autumn will see the commissioning at Trostre of a £50m continuous annealing line, allowing the works to produce, weight for weight, a strong, more ductile tinplate, and so offer the packaging industry a material which can be used in lower weights and lower costs to the canmaker.

Another £15m has recently been committed to updating Trostre's pickle line and adapting its five-stand mill to take wider strip. These improvements, which again will boost quality and yield, are due to be completed by 1990.

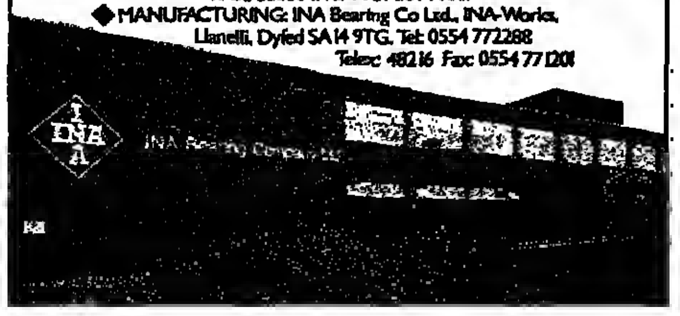
The works are also set to benefit from the investment of £4m in a new steel can research and development unit at BSC's Research Laboratories at Port Talbot. Due to be opened later this year, this facility will inclnde a range of modern production line canmaking equipment for the testing of new tinmill products.

Trostre's optimism over its future prospects is also being *boosted by what BSC executives* argue are the distinct environmental advantages of tinplate products.

Apart from its dramatically-reduced energy requirement compared with its main packaging material rival – tinplate manufacture now requires less than half the energy input of aluminium – steel cans are easier to recycle, thanks to steel's magnetic properties. According to Mr May, some 500,000 tonnes of scrap cans are now being recovered annually in Europe, partly by domestic "Save-a-Can" schemes but mainly by local authorities taking the tronble to run their domestic refnse collections throngh magnetic extraction units before disposal or incineration.

"Thanks to some new scrap cleaning and treatment technology, *it has become economic for* local authorities to extract the cans from waste streams with a magnet and sell them to a detinning company," Mr May explains. As part of last year's European Year of the Environment, BSC has also initiated moves to create a market for incinerated cans. After researching how best to handle snch scrap material, it has committed itself to taking up to 100,000 tonnes of incinerated steel cans by 1991.

The Trostre tinplate works, part of the British Steel Corporation



Several regeneration projects have enhanced the region's facilities

A leisure park takes shape

LLANELLI HAS demnnstrated over the past five years that it is pessible to marshal resources to tackle local economic difficulties without awaiting special Government help in the shape of an Enterprise Zone or an Urban Development Corporation.

Since 1983, co-operation between the local authorities, the Welsh Development Agency and the Manpower Services Commission has laid the foundations for major investment in a series of coastal regeneration projects which are bringing about a dramatic change in the face of Llanelli, Burry Port and Kidwelly and the coastal belt in between.

The largest single cash inputs have come from the WDA's land reclamation budget. Some £2.5m has been spent on clearing the Duport steelworks site and making it ready for redevelopment as a leisure parkland, built around a 17-acre boating lake. Other facilities to be provided include land for waterfront residential developments, boating and craft centres, a showground, a touring caravan site and a terminus for a projected Swiss Valley and Great Mountain steam railway.

The site will form an extension of the People's Park to the east and create a green corridor from Llanelli town centre to the Pembrey Peninsula and Kidwelly to the west.

Another £1.5m is being devoted to clearing the Machynys Peninsula, a large area of derelict industrial land, ruined foundries and old industrial buildings between the town and the coastline. It is being prepared for transformation into a variety of leisure, tourism and residential uses, taking advantage of the seafront, inlets and former harbours, as maritime and water recreation areas. Ancillary developments in train for the area includa a museum, holiday accommodation and a golf course due to open in three years' time.

The WDA is also joining forces with the highway authority, Dyfed County Council, to extend the main Dafen Industrial Park estate road so as to bypass existing communities and allow faster motorway access for Llanelli Radiators and the adjacent Rover group components plant, and open up further land for factory building. The Dafen Industrial Park is due eventually to cover 280 acres.

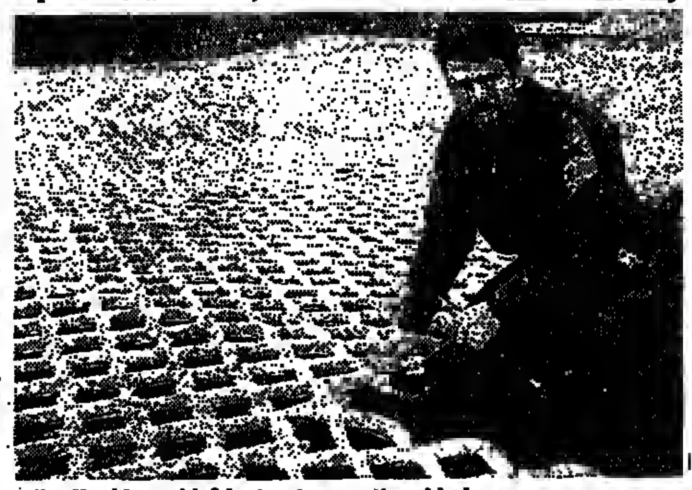
The existing new link with the M4 has already attracted the private capital required for Trostre Retail Park – a £16m development on what was semi-derelict land extending over 98 acres, which is being described as the only purpose-designed retail park in Wales. Tesco is constructing a 74,000 sq ft food retail store and there will be eight other non-food stores of between 10,000 and 40,000 sq ft built around a "village green". Other plans include an hotel, conference, leisure and craft facilities and a petrol station.

Other regeneration projects owe much to the work of the Manpower Service Commission's Cnmmnnity Prngramme. Required to mount a major effort in the area to tackle the problem of long-term unemployment created by the haemorrhage of manufacturing jobs, according to Mr Michael Roberts, the area manager, MSC has paid out some £8m in wages over the past five years. Llanelli Borough Council has put in about £750,000 to provide machinery and materials.

A particular exciting Community Programme project has been the development of the Machynys Wildfowl Centre, in association with the Wildfowl Trust at Slimbridge, Gloucestershire. This is expected to attract 130,000 visitors a year when it opens, either late next year or early in 1990.

The work has involved construction of a lake, ponds, bridges, hides, and fencing and landscaping. In this way it is hoped the centre will attract and hold more birds, in an area already of international importance to wading birds, as well as present wildlife and conservation to the public in more interesting ways.

Another MSC-backed project has been the restoration of the centrepiece nf the Kidwelly Industrial Museum – the only tinplate works to survive from the last century with large parts of its original machinery intact.



Mike Hopkins, chief instructor, on the ski slope being built at Pembrey Country Park

It has also played a key role in enhancing the facilities within the Pembrey Country Park, a 600-acre beach and woodland area developed on the site of an ordnance depot which once occupied the Pembrey peninsula. Boasting one of the best (and, according to EC standards, one of the cleanest) beaches in Europe, it already attracts over 300,000 visitors a year.

Recent additions, with much of the work being done under MSC programme auspices, include construction of a miniature and narrow gauge railway, a just-completed artificial ski slope, a visitor centre, beach kiosk, a boating pond and a pitch and putt course. In future it is proposed to provide an underwater museum, riding centre and lido.

Such has been the success of the MSC's Community Programme input that its planned replacement this September by the Employment Training Programme has given rise to local anxieties that the regeneration effort could falter. But according to Mr Michael Roberts, MSC area manager for West Wales, many of the Llanelli projects will fit into the new programme because they have long incorporated a significant element of training.

Mr Dennis Pearson, the programme manager at the Llanelli Community Resource Centre, says the projects have involved teaching a wide range of skills.

He is particularly proud that even the locomotive for the miniature railway was constructed in tha programme's own training workshop.

Three other projects are set to complete the regeneration of the area.

● Comprehensive development of Burry Port harbour has been designated as one of a network of marinas around the Welsh coast under a Wales Tourist Board strategy. Mnch of the land is already in the ownership of either the borough council or the Central Electricity Board which is currently seeking an EC grant to demolish the disused Carmarthen Bay power station to allow the site's redevelopment for leisure, residential and light engineering purposes.

● Facilities at the Welsh Motor Sports Centre, which is already firmly established on an abandoned Second World War airfield purchased by the borough council, are to be improved. The centre will be enlarged and equipped to a standard thet will allow the introduction of a Welsh Grand Prix.

● Finally, there is the possible construction of barrage across the River Loughor estuary to create a marine lake for water recreation and ancillary sports, residential development and perhaps even limited electricity generation. A decision on this development must await the outcome of two consultants' reports.

You'll always know where you are in Llanelli - if you start from this signpost in the town centre

Vehicle radiators

Plant stands on its own feet

WHEN THE Rover Group decided in 1986 to sell its Llanelli Radiators subsidiary, it was widely assumed that the business, valued at around £10m, would be snapped up by one of the big boys – Ford, General *Motors* or even Nissan.

In the event, it was a bid from the local management team, led by Mr Michael Reilly, the managing director, and supported by the employees, which not only won the day, but did so with an employee share-ownership arrangement which could become a model for others contemplating a management-employee buyout.

Under the deal, which finally fell into place last October, 30 per cent of the share capital of Llanelli Radiators is now held by the management and 25 per cent by the employees. Of the remainder, tha Rover Group continues to hold a 25 per cent stake and investment bankers Barclays de Zoete Wedd owns another 5 per cent; a final tranche of 15 per cent is being held in reserve for a possible future investor able, say, to introduce the company to a new market or a new product.

The buyont, urged npon the management by the plant's trade union representatives and arranged through the trade union-backed Unity Trust Bank, has brought about a measure of local control and employee commitment to the success of the business, which Mr Reilly is in no doubt augurs very well for the future.

The unique aspect of the buy-out has been the offer, and take-up by 90 per cent of employees, of preference shares in the business. Made available in packages of 500 at £1 each, the preference shares have had the attraction of giving amployees an immediate return on their investment, as *well as* a bonus of *50* free ordinary shares and entry to the Employee Share Ownership Plan (Esop).

This plan has provided for the setting up of two trusts – one to raise as a bank loan a capital sum equivalent to the value of the employee's share capital and the other to hold temporarily the 25 per cent ordinary shares in the name of the employees and so minimise tax liability.

Provided the company meets its profit targets over the next five years, the preference shares will be gradually paid up and the loan for the purchase of the 25 per cent trancha of ordinary shares repaid, allowing them to be distributed to employees.

This set the scene for Llanelli Radiators to begin to stand on its own feet and develop the efficiencies required to make the most of its knnwledge and expertise in heat exchange technologies.

To improve competitiveness, some prodnct lines had tn be phased out and the number of employees fell rapidly – from around 2,000 in the early 1980s to as few as 850 last year. "Initially too, we had problems with our parentage," Mr Reilly recalls.

"But during the 1980s, it has become acceptable for motor manufacturers to trade with each other," he notes.

The company hopes its air-conditioning systems will become a standard fitting for cars

The race to meet the profit targets has got off to an excellent start. Current turnover, at £37m on an annual rate, is significantly above last year's initial forecast. And, after years of reducing the number of employees, the company is recruiting again. *Last* year the workforce was down to 850 compared with some 2,000 in the early 1980s. Now it is nearer 900.

Radiator production at the Llanelli site dates back to *1943* when Morris Motors took over what was then a wartime shadow factory manufacturing and reconditioning heat exchangers for aircraft. For more than three decades, it was run very much as an offshoot nf Cowley, Oxford, producing ventilation flaps, chromium parts and silencers, as well as radiators and heaters, and from the mid-1960s onwards, seat frames as well.

Then, in the late 1970s, Sir Michael Edwardes, during his tenure as BL chairman, decided that the plant should become an individual profit centre with a management structure to *handle* all aspects of its business and thus, it was hoped, win orders from other motor vehicle manufacturers.

The net result is that Llanelli Radiators is now established as the largest antonomous vehicle radiator manufacturer in the UK and the fourth or fifth in Europe *(excluding the in-house manufacturing* facilities of companies like Ford).

Only some 42 per cent of the company's business these days is with Austin Rover, as against nearly *100 per cent at the beginning* of the decade when Mr Reilly arrived in Llanelli.

The company's second biggest customer these days is Nissan. Contacts with the Japanese vehicle manufacturer *and its* radiator subsidiary, Nihon, were opened several years ago. They finally bore fruit last July, when Llanelli won a contract to supply all the radiators for Nissan vehicles built in Britain.

Third largest customer is Land Rover which Llanelli supplies with heating systems as well as radiators. Valuable new business has also been secured from Leyland Vehicles, JCB and Hyster.

The company's fastest growing market, Mr Reilly stresses, is with General Motors which now takes radiators from Llanelli for its Vauxhall assembly at Ellesmere Port.

This last contract was secured after several years' research and develnpment at Llanelli to improve aluminium brazing techniques and major investment in a new 40,000 sq ft facility dedicated to the manufacture of aluminium radiators. Traditionally, radiators have been made from copper-brass and, over the past 10 years, *Llanelli has been able to meet* market demands for smaller size, lighter radiators without any loss of performance through the use of thinner, improved materials and better engineering techniques.

But equally, it has recognised that aluminium radiators are being increasingly favoured by continental motor manufacturers (they already account for some 80 per cent of the volume market) and that if the business is to grow, then Llanelli must be in that market as well.

The introduction of aluminium brazing has also given the company the opportunity to move into other heat exchange component markets such as oil coolers, intercoolers fnr turbo chargers and air-conditioning systems.

Mr Reilly is convinced that over the next few years in particular, air-conditioning systems (which require aluminium evaporators and condensers) will become a standard fitting, rather than an expensive optional extra, fnr vehicles sold in Northern Europe, giving this market a particularly bright future.

To maintain its competitive edge, the company plans to spend more than £5m over the next three years on new production processes, on the engineering and development of equipment and the expansinn of its markets. "The vehicle manufacturer is no lnnger doing the component development work himself," Mr Reilly explains. "Quite rightly, he expects the component supplier to do it for him."

Milford Haven port's geographical advantages

The optimists' menu

DEVELOPMENTS ARE afoot in the Milford Haven waterway which promise to give a significant boost to the whole economy of South-West Wales.

Milford Haven has long been recognised as one of the best deep water anchorages in Western Europe. During the 1960s, it developed into a major oil import and refinery port capable of taking the world's largest oil tankers. Before the expansion of North Sea oil production, it handled a third of the UK's imports.

But somehow Milford Haven has never delivered the economic prosperity which its unique character always promised. In the last century, it was earmarked at one stage to be developed as a major transatlantic passenger terminal, but the liners departed before the idea was brought to fruition.

The Naval Dockyard closed in the 1920s. Milford Haven became a major fishing port immediately after the 1939-45 War, but then its fishing fleet dwindled substantially. More recently, changing trade patterns in the oil business have resulted in the closure of one of the major oil refineries.

But there is growing confidence that this cycle of disappointment is finally going to be broken by three new factors.

- A dramatic improvement in road communications. Recent bypass completions and long stretches of dual carriageway, linking the south-west corner of Wales and the M4, have brought London within five hours' drive.
- The seemingly insatiable demand for maritime leisure. Milford Haven offers an extensive, exceptionally high quality, environment for marina developments linked to residential retirement property – and there are many schemes in the pipeline.
- Trading opportunities which are opening up as a result of enlargement of the European Community to include Spain and Portugal. Milford is no longer on the outer periphery of the Community, as was the case when Britain joined the EC, but nearer its geographical centre and strategically placed to profit from growing trade links between the UK and the Iberian Pensinsula.

It was with these opportunities in mind that a delegation led by the local authority, Dyfed County Council, and local business interests visited Spain two years ago to discuss the opening up of regular trade links. It was given an encouraging reception and contacts have developed since.

Now a local consortium, Govan Davies Developments, is just putting the finishing touches to a new deep water harbour facility on the site of former Royal Naval Dockyard at Pembroke Dock designed to transform these trading opportunities into reality.

The company has spent £5m developing the new facility – dredging a deep water channel, constructing three quays and creating onshore facilities. The project has also been given official backing in the shape of government financial assistance, including an urban development grant, to offset some 20 per cent of the capital cost.

The first two quays, with berthing depths of 10.8 metres and 28.5 metres minus chart datum respectively, will be ready to receive their first ships next month. A third quay with a berthing depth of 36.1 metres

There are plans for a new £1m fish market

minus chart datum will be completed by next Christmas.

Mr Govan Davies says that inquiries about using the new facility are already running at a high level. "It will be the *only* deep water port on the west coast between Devonport and Liverpool capable of being used by general cargo ships 24 hours a day, without waiting for the tide," he stresses.

Looking ahead to the opening of the Channel Tunnel in 1993, Mr Davies is also seeking planning consent for the construction of a deep water jetty capable of handling the largest container ships – with an eye to capturing a significant share of the container trade between North America and Europe.

Again because of its geographical position, Milford Haven would offer the largest container ships a combination of a quick turnround time and a short sea crossing in plying the Atlantic between Europe and America. The Welsh Office and Dyfed *Council have already* agreed to finance a two-mile industrial road to bypass Pembroke Dock town centre and link the jetty to a rail freight liner terminal.

Mr Davies is very optimistic. "I forecast that this area will soon have the highest growth rate in the whole of Wales," he declares.

That view is shared by Mr Ian Hay, chief executive of Milford Docks. He has taken the helm of Wales's oldest public company after its recent takeover by Seacon Holdings, the shipping group, of which he is deputy chairman and joint managing director.

Mr Hay is confident not only that Milford Haven's once thriving fishing industry can be revived, to the benefit of the surrounding economy, but also that the Milford docks can be developed as a centre for importing and processing of other goods.

The new owner's first investment at the Milford docks has been the ordering of a £425,000 ice-making plant which will be in operation by September. But it is also preparing plans to construct a new fish market at a cost of £1m and exploring the possibilities for developing fish processing facilities in the locality.

According to Mr Hay, the new ice-making plant, which will hava a capacity to produce 68 tonnes of ice daily and a 100-tonne storage capacity, is the initial key to the industry's revival. The aim is to persuade foreign as well as British boats fishing in south-western waters to take advantage of Milford's location and offload their catches there for transhipment rather than return to their home ports and so lose valuable fishing time.

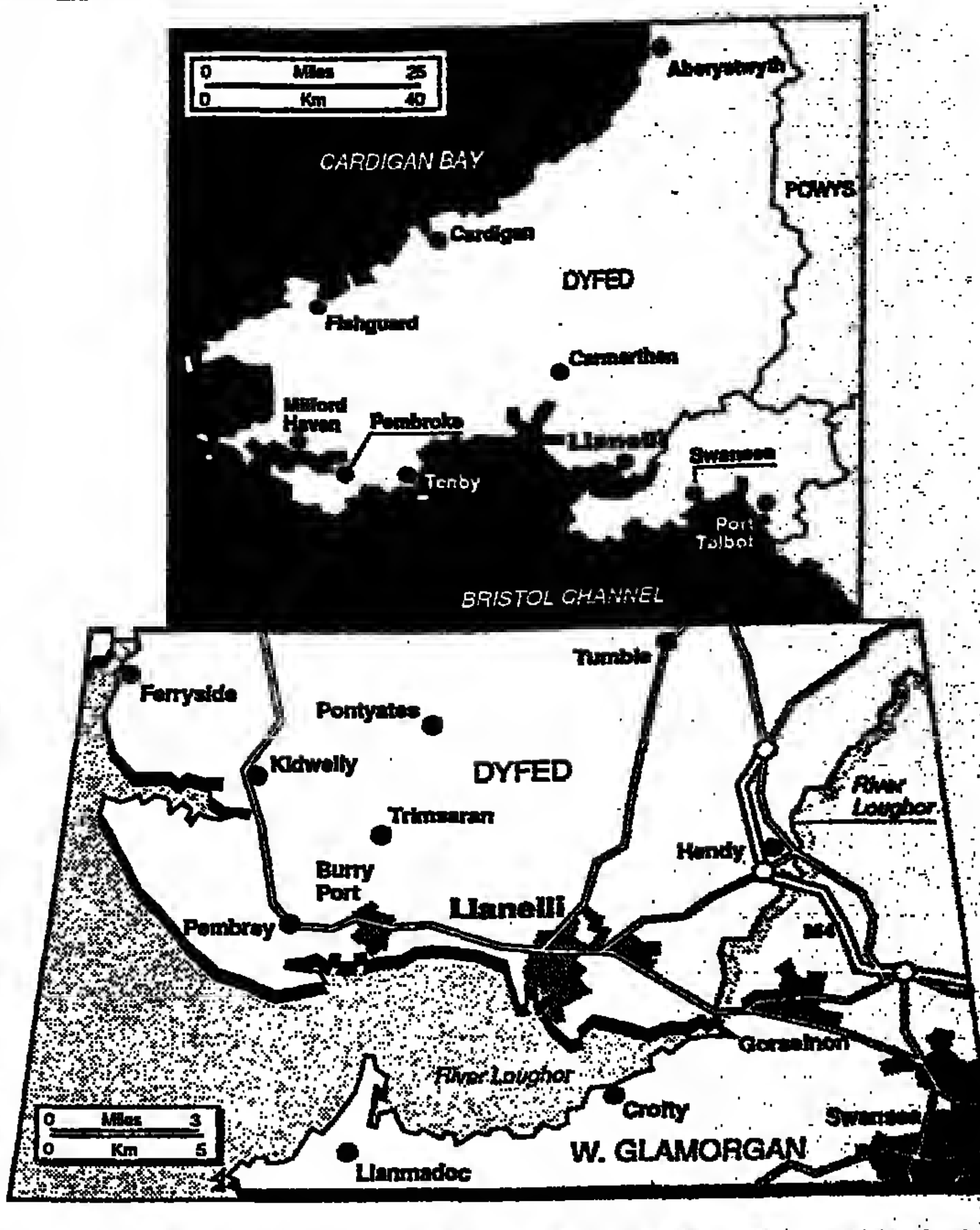
This is happening to a certain extent already. Indeed, the purchase and operation of British fishing vessels by Spanish interests, in order to buy British fishing quota entitlements under the EC's Common Fisheries Policy, have been subjects of some controversy locally.

But Mr Hay says that there is room for a great deal of expansion. "The fishing grounds off the south-west of Britain are well-stocked with good quality fish and there are some quotas – hake, for example, which commands a high premium on the Spanish market – which are not fully taken up."

Beyond the fishing industry, which he hopes will also open up employment opportunities for processing fish locally, Mr Hay *foresees Milford taking* advantage of Iberian and Mediterranean trade in fruit and vegetables. Milford is well placed to import in bulk and then process and pack locally in order to meet the requirements of the supermarket chains.

Technology

High winds cut costs of electricity



PLANS FOR three wind "parks" – one located near Cardigan in South West Wales – *which will* produce electricity from a cluster of wind turbines were unveiled last month by the Central Electricity Generating Board.

Assuming the developments are granted planning consent – the other two are planned at Cold Northcott in Cornwall and on the northern Pennines – they will come on stream between 1990 and 1992 and provide enough electricity to meet the needs of about 5,000 people.

They represent the first fruits of a programme of practical research and development of

The Carmathen Bay site is being used as a shop window

wind power technology which was launched six years ago on the coastal site alongside the CEGB's Carmarthen Bay power station to the west of Llanelli.

The outcome of this six years' work was an announcement in March, by Lord Marshall, chairman of the CEGB, of a £30m expanded programme of development over the next four years. "We are very encouraged with the progress of this technology," he said. "In our judgement, on favourable sites where we can expect high wind speeds, it may now be possible to generate electricity at a competitive cost."

The Carmarthen Bay site has played a key role in identifying *the technical* and *economic* dimensions of wind energy. The wind parks will take this work forward and also establish the social, visual and environmental impact of wind power by monitoring noise levels, interference with radio communications, and the compatibility of wind turbines with simultaneous use of *the land they occupy for other* purposes.

Interest in wind power for electricity generation has been growing sver since the 1973-74 oil crisis and a number of governments, notably the US, Sweden, Netherlands and Denmark, have been supporting research and development projects.

Initial research concentrated on large machines designed to generate one Megawatt or more. But they failed to live up to expectations. More success has been achieved with small turbines, notably in the US where tax incentives have led to 15,000 wind turbines of 50 kilowatts and upwards being brought in operation which are generating some 1,300 MW of electricity.

At Carmarthen Bay, the first machine to be installed was a 200 kilowatt horizontal axis turbine of US design, built by James Howden of Glasgow. As it turned out, a number of technical difficulties limited its operation and it has been replaced by another 28-metre diameter Howden machine designed to generate 300 kilowatts. This is similar to a number of turbines which the company has installed in California.

Since then, the CEGB has decided to develop the Carmarthen Bay site as a shop *window* open to use by any British companies which wish to test and demonstrate wind turbine designs.

Taking advantage of this facility, a consortium, headed by Sir Robert McAlpine, has installed a 130 kilowatt vertical axis turbine of 25 metres diameter, while Balfour Beatty has set up a 10 kilowatt prototype of novel design which it believes may be suitable for widespread use in the Third World.

Another consortium, the Wind Energy Group, which is headed by Taylor Woodrow, is due to build another test machine on the site later this year which will generate some 300 kilowatts and be a candidate design for the three proposed wind parks.

According to the CEGB, as matters stand, the most economic size for commercial operations is a turbine generating in the range 150-300 kilowatts. But it says there is now some expectation that machines of about 500 kilowatts can be developed which are commercially viable. In the *meantime, thanks to improving* engineering standards, the average construction cost has come down to around £500 per kilowatt.

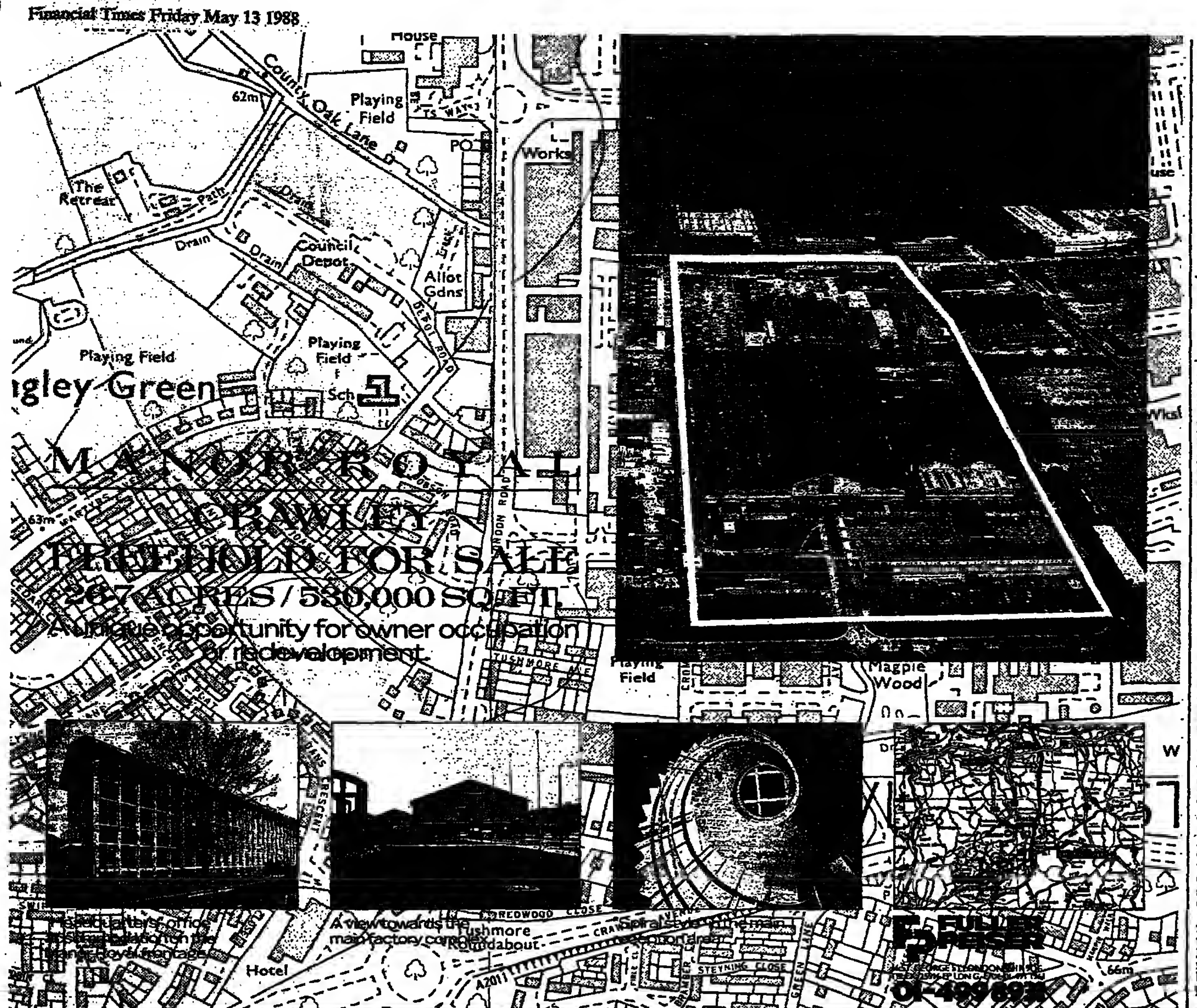
It is envisaged that the wind parks at Capel Cynon and the other two pilot sites will each contain, within an area of three to four square miles, 25 turbines, each 30 metres in height and capable of generating between 300 and 500 kilowatts.

If all goes well, Lord Marshall has suggested, it is quite possible that wind will be providing the UK with some 1,000 megawatts of economic electricity early in the next century. That would be about 2 per cent of current generating capacity.

Meanwhile, suggestions that Carmarthen Bay power station, which closed in the early 1980s, could be purchased by a private operator and refurbished as a coal-fired station within a privatised electricity industry have been ruled out by the CEGB. According to the board, the switchgear and a lot of other internal equipment have already been stripped out. It says that several private companies have also inspected the station and decided that it is not suitable for their purposes.

The CEGB recently applied for a grant from the European Regional Development Fund to assist with the cost of demolition and, following a recent grant to South Wales Electricity to realign its transmission lines in the area, it is reasonably optimistic about its chances.

A report from consulting engineers, Mouchell and Partners, has recommended that the site ought in future be devoted mainly to leisure purposes, with perhaps a marina, plus residential and light engineering uses.



Public Notices

oftel
Office of Telecommunications

CHATLINE SERVICES

Notice published by the Director General of Telecommunications under Section 12 of the Telecommunications Act 1984

Proposed modifications of the conditions of the Licences granted to British Telecommunications PLC ('BT'), Kingston upon Hull City Council and Kingston Communications (Hull) PLC ('the Hull Licensees'), Mercury Communications Limited ('MCL'), Racal-Vodafone Limited ('Racal') and Telecom Securicor Cellular Radio Limited ('Cellnet') to run telecommunications systems.

1 The Director General of Telecommunications ('the Director') hereby gives notice that he proposes, under section 12 of the Telecommunications Act 1984 ('the Act') to modify the Conditions in the Licences granted under section 7 of the Act to BT, the Hull Licensees, MCL, Racal and Cellnet ('the PTOs') by adding a new Condition to those Licences.

2 The effect of the modifications is to prevent 'Chatline Services', where more than two people are able simultaneously to conduct a telephone conversation with one another, from being provided unless certain conditions are fulfilled.

3 The conditions are that the customer must have agreed in advance to the provision of that particular service and that any telephone bill from a PTO must show the amounts charged for the services (including the charge for the relevant telephone calls) separately from any other charges. Each charge for a Chatline Service must be itemised to show the date on which the service was provided and the telephone number used to gain access to it.

4 The conditions apply both to Chatline Services offered by a PTO and to services offered by an independent operator over PTO lines. The PTO must cease to provide the relevant lines to any independent operator who does not comply with the conditions. The definitions of Chatline Services excludes conference calls where the participants are identified in advance.

5 The purpose of the proposed modifications is to safeguard and promote the interests of consumers and purchasers of telecommunications services in the United Kingdom in respect of the quality of telecommunications services provided.

6 The Director is required by section 12(2) of the Act to consider any representations or objections which are duly made and are not withdrawn.

7 Any persons whose interests are likely to be affected by the modifications, and who wish to make representations or objections in respect of them, should do so in writing to Mr M J Prettyman, OFTEL, *Atlantic House, Holborn Viaduct, London EC1N 2HQ* (stating their interests and the grounds on which they wish to make representations or objections) before Monday 13 June 1988. Copies of the proposed modifications may be obtained from OFTEL (tel: 01-822 1617).

FT LAW REPORTS

Guinness director must repay secret profit

GUINNESS PLC v WARD
Court of Appeal
(Lord Justice Fox,
Lord Justice Glidewell and
Sir Frederick Lawton):
May 10 1988

A DIRECTOR'S interest in a contract made with his company must be disclosed to the full board, not merely to a committee of directors; and any secret profit is held by him as constructive trustee for the company and must be repaid, irrespective of any services he may have rendered in connection with the contract.

The Court of Appeal so held when dismissing an appeal by Mr Thomas Joseph Ward from an order by Sir Nicolas Browne-Wilkinson, Vice-Chancellor, that he must repay Guinness plc £5.2m received by him as constructive trustee on its behalf.

Section 317 of the Companies Act 1985 provides: "(1)It is the dnty of a director . . . who is . . . interested in a contract . . . with the company to declare . . . his interest at a meeting of the directors . . ."

LORD JUSTICE FOX said that early in 1986 Guinness launched a takeover bid for Distillers plc. The bid was strongly resisted.

Mr Ernest Saunders, Mr Olivier Roux and Mr Ward were all directors of Guinness and formed a committee of the board for the purpose of conducting the bid. The bid was successfully concluded in April 1986.

In May 1986 Marketing and Acquisition Consultants Ltd (MAC), a Jersey company controlled by Mr Ward, submitted to Guinness an invoice for £5.2m for services connected with the bid. Guinness paid MAC.

Guinness said that at the time it was not aware of the connection between MAC and Mr Ward. It now alleged that the £5.2m was received by MAC on Mr Ward's behalf and should be treated as a payment to him.

Mr Ward admitted that the money was received on his behalf, but alleged that an oral agreement was made between him and Guinness that he should be paid £5.2m for his services as business consultant in connection with the bid.

Guinness denied there was an agreement, but contended that even if there were, it was made in breach of Mr Ward's fiduciary duty as a director, in that it was not disclosed to Guinness directors as required by section 317 of the Companies Act 1985.

It contended that Mr Ward held the £5.2m as constructive trustee for Guinness and was bound to repay any balance which could not now be traced.

Article 100 of the Guinness Articles of Association provided that "(A)A director who is . . . interested in a contract . . . with the company shall declare . . . his interest at a meeting of the directors in accordance with the statutes . . . (D)Any director may act by himself or his firm in a professional capacity for the company and . . . shall be entitled to remuneration . . ."

Mr Ward admitted receipt of the £5.2m, but said that if he was under a duty to disclose his interest, such duty was discharged by disclosure to the committee of directors, Mr Saunders, Mr Roux and himself.

Section 317 of the 1985 Act imposed an obligation to make a disclosure to a meeting of the full board of directors duly convened.

Subsection (1) required disclosure to "a meeting of the directors". Those words could not be satisfied by disclosure to a sub-committee of directors. It was simply not what the sub-section said.

Nothing in the Articles could alter that. Section 317(1) was a statutory requirement and its provisions were mandatory. In article 100(A) "a meeting of the directors" must have been intended to have the same meaning as in the section.

Mr Ward said that disclosure to the full board would be an absurdity, because it knew about the payment.

Assuming that it were true that all board members knew about the payment, that did not alter the fact that the statutory requirement that there be a disclosure to "a meeting of the directors" (which was a wholly different thing from knowledge by individuals and involved the opportunity for positive consideration) was not complied with.

The statute required disclosure to a duly convened meeting of the full board of Guinness. There was no such disclosure. Mr Ward therefore acted in breach of duty in receiving the £5.2m.

Mr Ward said that article 100 gave a director certain exemptions from the duties imposed on him to account for profits. He said article 100(D) expressly permitted a director to act in a professional capacity and provided that he should be entitled to retain remuneration for professional services as if he were not a director.

That was not correct. A director was in a fiduciary position. A person in a fiduciary position was not permitted to obtain a profit from his position except with the consent of persons to whom he owed the duty.

In the case of a director, the consent required was that of the members in general meeting. That was inconvenient in relation to the day-to-day running of a business. It had therefore become the practice to relax the general rule by special provisions in the Articles. The purpose of section 317(1) was not to destroy the power to relax the general rule by the Articles, but to impose a binding safeguard on that power.

Accordingly, Mr Ward acted in breach of duty in failing to disclose his interest in the agreement to a meeting of the directors. The consequence was that the agreement was rendered voidable at the instance of Guinness, and Mr Ward was "accountable for any secret profit" (*see Hely-Hutchinson [1986] 1 QB 549,585*).

If the agreement ever existed, Guinness had exercised its right to avoid it (at the latest by institution of the present proceedings). *Prima facie* Guinness was entitled to jndgment for the £5.2m.

Mr Ward advanced a number of objections to the claim for judgment.

First, he said he had completed his service under the agreement and accordingly *restitutio in integrum* was impossible and Guinness could not claim return of the consideration.

The argument was not well-founded. This was not a case of rescission of a partly performed contract. It was the case of a fiduciary who in plain disregard of his duty had improperly received the company's money and thereby became a constructive trustee of that money.

Mr Ward never had good title of the money. It was the absolute property of Guinness and his title to it was imperfect from the first, since Guinness could avoid the agreement.

Mr Ward was constructive trustee as soon as he received the money. The basis of the constructive trust was the combination of three factors: fiduciary relationship, breach of duty arising from that relationship, and receipt in breach of duty of property belonging to the person to whom such duty was owed.

Secondly, Mr Ward said that assuming be was otherwise liable to repay the £5.2m, he was entitled at law to a *quantum meruit* or to an allowance in equity for the services be had given the company.

Since any such claim was unquantified any set-off would have to be equitable. In *Federal Commerce v Molena [1978] 1 QB 927,974* Lord Denning said with regard to equitable set-off that to be deductible a cross-claim must go "directly to impeach the plaintiff's demand" and must be so closely connected with his demand that it would be manifestly unjust to allow him to enforce payment without taking the cross-claim into account.

The cross-claims in the present case did not impeach Guinness's title to receive the monies claimed. Mr Ward held the monies as constructive trustee. The existence of some cross-claim for a *quantum meruit* or allowance did not impeach or determine that trust.

Further, the respective claims of Guinness and Mr Ward could not be truly described as arising out of the same transaction. Guinness's claim did not depend on the agreement. It was simply a claim to its own money improperly received by Mr Ward. In that respect there were no mutual dealings between them because the agreement was never disclosed.

Lastly Mr Ward claimed he was entitled to relief under section 727 of the Act. The section conferred on the court power to relieve a director from liability for breach of duty if he had acted honestly and reasonably, and in all the circumstances ought to be fairly excused.

What he was claiming in effect was that he be compensated for his services in connection with the bid.

That was exactly the basis on which he claimed payment by way of *quantum meruit* or equitable compensation. If his claim under either of those heads succeeded Mr Ward would not need relief under section 727, and if it failed, he would have failed to disclose any grounds for relief under the section.

Accordingly it did not avail Mr Ward to invoke section 727. He could not succeed.

Mr Ward always had been a constructive trustee of the £5.2m and must repay it. The appeal was dismissed.

Lord Justice Glidewell and Sir Frederick Lawton agreed.

For Guinness: David Oliver QC, Richard Field QC and Philip Sales (Herbert Smith)
For Mr Ward: Peter Currie QC and Jonathan Crow (Calow Easton)

Rachel Davies
Barrister

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ARTS

Arts Week

F	S	Su	M	Tu	W	Th
13	14	15	16	17	18	19

Exhibitions

LONDON

The Royal Academy. Cezanne, The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century, who was also one of the great seminal figures of the modern movement. Ends August 21.

AMSTERDAM

Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of cultural history. Ends August 21.

Rijksmuseum. Two hundred of the printroom's finest 15th and 16th century ornamental prints, with designs for jewellery, weapons and furniture. Ends June 19.

Jewish Historical Museum. To celebrate the 40th anniversary of the founding of the state of Israel, an exhibition devoted to the theme of light in Jewish ritual, with lamps and menorahs specially commissioned from modern Israeli and Dutch artists. Ends June 12.

The Hague, Gemeentemuseum. A lavish exhibition tracing Mondrian's development from figuration to abstraction, together with 70 paintings and drawings from the late New York period, on loan from the Sidney Janis collection. Ends May 29.

Amsterdam, Vondelkerk. The life and work of the Candian pianist Glenn Gould in an exhibition which includes screenings of legendary video recordings,including some never shown before. (Weekends until June 12). (Vondelstraat 120).

PARIS

Centre Georges Pompidou. Marc Chagall: 46 paintings, 406 drawings and gouaches and nearly all the illustrated books which have been given to the French state in lieu of death duties constitute a unique retrospective of Chagall's life and work. (42 77 12 33) Closed Tue. Ends June 5.

Grand Palais. Degas. An important retrospective of 275 works covers 60 years of the artist's career from his student beginnings in Italy to the rich maturity of his last years. (42 56 09 24). Ends May 16, Closed Tue.

Galérie Schmit, French masters of the 19th and 20th century. 396, Rue Saint-Honore (42603636) closed Sundays and lunchtime. Ends July 16.

Galérie D'Art Saint Honoré. A vast allegory of war and peace painted in the atelier of Han Brueghel the elder forms a striking centrepiece of an exhibition of Flemish Masterpieces. 267, rue Saint-Honore (42601503). Ends June 16. Closed Sat, Sun, and lunchtimes.

Pavillon Des Arts. The magnificence of silversmiths' work in India during the reign of the Moghuls testifies to their love of luxury. 101, Rue Rambuteau (42338250) closed Mondays and holidays. Ends July 17.

VIENNA

Kunstraum, Messepalast. Alfred Hrdlicka, Austria's leading sculptor, celebrates his 60th birthday with an exhibition of his work, all carved to stone. Hrdlicka is an inspiring and energetic artist who shows no signs of retiring. Ends May 29.

Historisches Museum, Karlsplatz. The cultural legacy of Vienna's Jews which has been preserved by Max Berger, makes up this large exhibition which conveys the sense of loss as much as the community's artistic richness. Ends June 5.

School For Applied Arts. A wonderful and surprising exhibition of works by Friedrich von Berzeviczy-Pallavicini, (1909-) the Swiss-born artist of Hungarian aristocratic background who studied to Vienna before 1938. His versatility extends beyond canvas to interior design, sets for opera and theatre, costumes and writing paper for Helena Rubenstein, Illustrations for the US Look Magazine, Flair and furniture designer. Closes May 20.

Austrian Museum of Applied Arts. Kunst und Revolution. A rare opportunity to see under one roof an exciting burst of creativity by Russian and Soviet artists between 1919 and 1932. There are hitherto un-seen works by Kazimir Malevich, Wassily Kandinsky and Alexander Rodtschenko as well as a fine collection of pre- and post-1917 revolution posters. Closes June 15.

Kunstlerhaus. Public spirit and protest: Biedermeier and Vormarz in Vienna 1815-1848. After the highly successful dream and reality exhibition which looked at fin-de-siècle Vienna, the Austrians have gone back to the Biedermeier period (1815-1848). This is a large and attractive exhibition which evokes the typically Vienna bourgeois mentality. Ends June 12.

Rathaus. Wien 1932. Vienna's city hall is commemorating the Anschluss, the German annexation of Austria in 1938 with a large and courageous exhibition which shows how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the Jewish culture. Ends June 30.

NEW YORK

American Craft Museum. An ambitious show that traces the history of American architecture back in the turn of the century emphasises the work of artists like Tiffany, Lawrie and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Pierpont Morgan Library. More than 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Included are the illustrated letter, discovered only months ago, to Noel Moore that became the basis of Peter Rabbit and the entire sequence of 22 watercolours from The Tailor of Gloucester lent by the Tate Gallery. Ends Aug. 21

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

National Gallery. To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs to the 16th and 17th centuries will show Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. East Wing. Ends Sept 5.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls to the luminous light of New Mexico. Ends June 26.

TOKYO

Tokyo Metropolitan Art Museum, Ueno. Japan in the 1920s. More than 400 works (paintings, photographs, architectural designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Closed Mondays. Ends June 5.

Ota Memorial Museum, Harajuku. A peaceful haven amid the hustle and bustle of one of Tokyo's trendiest districts. This month, a representative selection of woodblock prints by everyone's favourite Japanese artist, Hokusai. On loan from the Peter Morse collection in the US. Closed Mondays. Ends May 29.

Tokyo National Museum, Ueno. Art Treasures of Ancient Egypt. The formal, hieratic art of Egypt is not to everyone's taste, and works often appeal more for their associations with the cult of death or for their lavish use of gold and other precious materials. This exhibition gathers important pieces from collections in East Germany. Closed Mondays. Ends June 12.

Tokyo Metropolitan Art Museum, Ueno. Japan in the 1920s. More than 400 works (paintings, photographs, architectural designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Closed Mon. Ends June 5

Teien Museum, Meguro. Art Deco Glass by Rene Lalique. This former imperial residence has one of the finest Art Deco interiors in the world. Among its many treasures is a set of glass doors with relief figures of winged goddesses, designed and made by the master of Art Deco glass, Rene Lalique (1860-1945). The current exhibition is a perfect match. The quality is uneven, with the notable exception of pieces loaned by Lalique's grand-daughter, but the setting is unparalleled. Closed April 27. Ends May 29.

ITALY

Venice, Palazzo Grassi. The Phoenicians: The fourth major exhibition at Fiat's imposing arts' centre on the Grand Canal attempts to give a complete picture of this extraordinary people, about whom few know much, who dominated trade in the Mediterranean for more than 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. (Until Nov 6).

Venice, Fondazione Cini (Isola di S. Giogio). Paolo Veronese. An intelligenly presented exhibition to mark the fourth centenary of his death, two thirds of which is devoted to his preparatory studies for his major works in Venice. The last few rooms contain 22 paintings, including several masterpieces lent by American and European Museums. Until July 10.

Theatre

LONDON

Cat on a Hot Tin Roof (Lyttelton). Ian Charleson and Lindsay Duncan lead this white-hot National Theatre revival of Tennessee Williams' play directed by Howard Davies. Eric Porter, absent from the stage for 12 years, is an electrifying Big Daddy. (928 2252)

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs good young cast of post-Python comedians including Rik Mayall and Stephen Fry. (836 2294, CC 240 9661)

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107)

Bloody Poetry (Royal Court). Howard Brenton season inaugurated with this fine play about Byron and Shelley, a fierce meditation on the unloved artist in exile. Sian Thomas a notable Mary Shelley. Max Stafford-Clark directs. (730 1745)

A Touch of the Poet (Comedy). Vanessa Redgrave and Timothy Dalton in prolix but fascinating O'Neill play set in the aftermath of the European republican upheavals. Dalton is Con Melody, a Byronic wreck pipe-dreaming in the bar, Redgrave his loyal but defeated spouse. A collector's item. (930 2578, CC 839 1438).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical to which poisoned marriages nearly undermine an old burlesque reunion to a doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143)

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, CC 379 6233).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with the powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons to pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria to London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness to a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her Tony-award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670)

CHICAGO

International Theatre Festival. The American debut of the English Shakespeare Company performing the seven Wars of the Roses plays, beginning with Richard II, highlights the month-long schedule of 20 productions from 13 companies representing Spain, France, Ireland and South Africa among others. Ends May 29. (644 3378).

TOKYO

Yume no Yuminsha in Hanshin Theatre Apple, Shinjuku. A recent survey indicated that Yume no Yuminsha is the most popular theatre group among today's young generation in Japan. Hideki Noda's productions are complex fantasies with a strong vein of surrealist humour. Noda himself is a high-energy comic performer of great charm and the entire company are skilled in song, dance and acrobatics. Hanshin (half god) is about Siamese twins and attempts to separate them. This is Total Theatre at its most exuberant. Ends May 15.

Kabuki (Kabuki-za). This month's programme features two of the most spectacular works in the kabuki repertoire. At 11am, Iseyama Ouna Teikin, has a first act consisting of two plays performed simultaneously. It makes use of two hanamichi (the raised platform which extends into the auditorium) and two sets of singers, one on either side of the stage. One of the pieces in the performance at 4.30pm, Shiranami Gonin Otoko, is an elaborately stylised fight scene. Excellent English earphone commentary. Ends May 27. (541 3131)

Bunraku, National Theatre The puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain in sight of the audience throughout the performance, but their presence is soon forgotten, as the narrator at the side of the stage unfolds the story to a musical accompaniment. The bunraku company is based in Osaka and visits Tokyo only twice or thrice a year. Two programmes, at 12 noon and 5pm. English earphone commentary available. Ends May 22. (265 7411).

Nippon Cha! Cha! Cha! Open air, experimental production in the garden of the Setagaya Art Museum. About an Olympic hopeful in track-and-field and a woman reporter who follows his every movement. May 11 -16 only. (584 5669).

Beehive (Yubin Chokin Hall). Off-Broadway musical, to English – a spoof on the early 1960s. Ends June 5. (237 9999)

The Wars of the Roses (Tokyo Globe Theatre, Shin-Okubo). The English Shakespeare Company opens Tokyo's newest theatre with Michael Bogdanov's lively and inventive production of Shakespeare's English history plays. The theatre was designed by RIBA gold medallist, Arata Isozaki, as a witty pastiche – pink outside and various shades of grey inside – of the Elizabethan original. A bare stage throws the focus onto the actors and onto costumes that range from medieval through Victorian to punk. Barry Stanton's fine Falstaff in Henry IV is an excellent foil to Michael Pennington's angular Prince Hal. In English. Six plays in repertory. (343 4751).

Opera-za no Kaijin (Nissei Theatre) – better known as The Phantom of the Opera. Andrew Lloyd Webber's latest smash-hit arrives in Japan in a production by Harold Prince for the Shiki Theatre Company which is a virtual carbon copy of his London and Broadway stagings.

Music

LONDON

Royal Philharmonic Orchestra, Beaux Arts Trio. Conducted by Kurt Masur: Beethoven. Royal Festival Hall (Tue). (928 3191).

Opera 80. Mozart's The Abduction from the Seraglio. Elizabeth Hall (Tue, Wed).

Philharmonia, conductor Rafael Frühbeck de Burgos with soloists Elizabeth Gale, Jean Rigby, James Bowman and Jonathan Summers: Mendelssohn, Orff. Royal Festival Hall (Wed).

Royal Philharmonic Orchestra, conductor Kurt Masur: Mozart, Bruckner. Festival Hall (Thur).

VIENNA

Wiener Symphoniker, conductor, Horst Stein. With solist violin, Isabelle von Keulen. Saint-Saëns, Bruckner. Musikverein. (Fri, 19.30). (65 81 90).

The Chamber Orchestra of Europe conducted by Friedrich Gulda. Mozart, Gulda. Konzerthaus. (Sat 19.30) (72 12 11).

Vienna Philharmoniker, Claudio Abbado conducts Beethoven, Schubert. Musikverein. (Sun, 11.00) (65 81 90).

The Arnold Schönberg Choir, conductor, Nikolaus Harnoncourt. Solists, Angela Maria Blasi, Yvonne Kenny, Jadwiga Rappe, Hans Peter Blochwitz, Robert Holl. Bach. Konzerthaus. (Sun:19.30) (72 12 11).

The Alban Berg Quartet. Beethoven. Konzerthaus. (Mon, Tues. 19.30).

Neues Wiener Vocalensemble. Conductor Peter Altmann. Hassler, Bach, Mendelssohn, Von Einem. Musikverein. (Wed. 19.30.) (65 81 90).

Wiener Symphoniker. Conductor Erich Leinsdorf. Schumann's Faust. Soloists Brigitte Poschner, Gabriele Sima, Cornelia Kallisch, Klara Takacs, Peter Schreier. Konzerthaus (Wed, Thurs, 19.30.) (72 12 11).

The London Fortepiano Trio (original instruments): CPE Bach, Haydn, Mozart, Beethoven. Musikverein. (Thurs. 19.30) (72 12 11).

PARIS

Nouvel Orchéstre Philharmonique, conducted by C. Badea, Jennifer Jones, soprano: Wagner, R. Strauss (Mon) Radio France, Grand Auditorium (42301516).

Roland De Lassus Choir, Orchéstre Français D'Oratorio conducted by Amaury du Closel: Mozart, Beethoven (Tue) Saint-Roch Church.

Ensemble Orchéstral De Paris' Soloists, Brahms, Schubert (Tue) Salle Gaveau (45633030).

Orchéstre De Paris, conducted by Esa Pekka Salonen, Brigitte Engerer, Piano: Sibelius, Grieg, Nielsen (Wed) Salle Pleyel (45630769).

Maurizio Pollini, Piano: Liszt, Schubert (Tue) Salle Pleyel (45630796).

Orchéstre National De France, conducted by Georges Pretre, Michael Rudy, piano: Prokofiev, Landowski (Thur) Radio France, Grand Auditorium (42301516)

Orchéstre De Paris, and Ensemble Intercontemporain conducted by Esa Pekka Salonen: Lindberg, Schönberg, Nielsen (Thur) Salle Pleyel (45630796).

Louvre Musiciens, conducted by Marc Minkowski: Rameau's Platée in concert version (Thur) Opera Comique (42449439).

NETHERLANDS

Amsterdam, Concertgebouw. Piano recital by Jorge Bolet: Mendelssohn, Beethoven, Franck, Bellini/Liszt (Mon). Anton Kersjes conducting the Netherlands Philharmonic with Emmy Verhey, violin: Beethoven (Tue). The Amsterdam Promenade Orchestra under Marting Kamminga, with Thea van der Putten, soprano, Wout Oosterkamp, bass: Brahms, Stravinsky (Thur). Recital Hall: Raphael Quartet: Schubert, Shostakovich, Beethoven (Wed) (718 345).

The Hague, Philipszaal. Anton Kershes conducting the Netherlands Philharmonic with Emmy Verhey, violin: Beethoven (Thur) (60 98 10).

NEW YORK

Alfred Brendel, piano recital. All-Schubert programme (Mon, Thur) Carnegie Hall (247 7800).

Detroit Symphony Orchestra, Gunther Herbig conducting, Emanuel Ax, Schönberg, Mozart, Beethoven (Tue). Carnegie Hall (247 7800).

New York Philharmonic, Zubin Mehta conducting, Isaac Stern violin. Mussorgsky, Davies, Mozart (Tue). Mahler (Thur). Avery Fisher Hall (874 2424).

Yuval Trio, Beethoven, Brahms, Shalit, Smetana (Tue). Kaufmann Hall (996 1100).

Kylie String Quartet, Mozart, Bartok (Wed 12.30 Free). Juilliard Concerts at the IBM Garden Plaza (56th & Madison).

WASHINGTON

Los Angeles Philharmonic, Andre Previn conducting. Brahms/Haydn, Mendelssohn, Walton (Wed 7). Kennedy Center Concert Hall (254 3776).

National Symphony, Andrew Litton conducting, Christopher Parkening (guitar). Britten, Bodrigo, Vivaldi, Rachmaninoff (Thur). Kennnedy Center Concert Hall (254 3776).

CHICAGO

Chicago Symphony, Sir Georg Solti conducting, Andras Schiff piano. Beethoven, Ives, Brahms (Tue); Sir George Solti conducting, Michael Ludwig violin. Mozart, Beethoven (Thur). Orchestra Hall (465 8111).

ITALY

Milan, Teatro Alla Scala. Maria Tipo (piano) plays Beethoven sonatas (Mon). (80.91.26).

Florence, 51st Maggio Pergoa. The Italian Wind Quintet: Michele Marasco (Flute), Diego Dini Ciacci (oboe), Fabrizio Meloni (clarinet), Guido Corti (french horn) and Claudio Gonnella (bassoon) playing Ghedini, Berio's new piece Ricorrence (first performance in Italy), Einaudi and Carter (Fri). On Sat, Isaac Steiner (pianist): From Baroque to Rock and Tues, Wed, a recital by pianist Steiner Tatiana Nicolaeva playing Shostakovitch. (2779236).

Naples, Settimane Musicali, Teatro de San Carlo. The Rai Orchestra of Turin conducted by Salvore Accardo plays Mozart's Prague symphony and arias form The Marriage of Figaro (with Ruggero Raimondi), also Dvorak's 8th Symphony (Mon). On Thur, the first showing of Klaus Kinski's new film Paganini with music performed by Salvatore Accardo. (797 24 12).

Opera and Ballet

LONDON

Royal Opera (Covent Garden). Jon Vickers returns for what may well be his final series of Peter Grimes performances in London, with Josephine Barstow (Ellen Orford), Victor Braun (Balstrode), and John Barker as conductor of the Elijah Moshinsky production. Final performances of the lucid, well-plotted new Nicholas Hytner production of Tippett's The Knot Garden, conducted with vigour and intensity by Sian Edwards; Anne Howells, Anna Steiger, and Linda Kitchen are the stand-out members of a generally strong cast.

English National Opera (Coliseum). Two fine Nicholas Hytner ENO production bulk large in the repertory – Handel's Xerxes, conducted by Charles Mackerras, with Ann Murray and Valerie Masterson, and the wholly delightful new Magic Flute, with Thomas Randle, Susan Bullock, and Nicholas Folwell. The revival of John Cox's 1980 Cosi Fan Tutte production rejoices in the return of the original Fiordiligi and Dorabella, Felicity Lott and Della Jones, both in superlative form.

Royal Ballet (Covent Garden). Royal Ballet dances Ondine today and on Wednesday.

NETHERLANDS

Amsterdam (Muziektheater). Netherlands Opera in Der Entführung aus dem Serail by Wolfgang Amadeus Mozart, directed by Helmut Polixa. The Netherlands Philharmonic con-

Continued on Page 19

هكذا من الأصل

Cinema/Nigel Andrews

Polemics with kitsch

Testimony directed by Tony Palmer
On The Black Hill directed by Andrew Grieve
A Prayer For The Dying directed by Mike Hodges
Prince Of Darkness directed by John Carpenter
Travelling North directed by Carl Schultz

Tony Palmer's *Testimony*, a polemical bio-pic of Shostakovitch in which the persecuted Russian genius fights the good fight against his Soviet tyrants, is grandiloquent, derivative and very very long. Scripted by playwright David Rudkin, it thunders along in wide-screen and black-and-white for 157 minutes and 50-odd years, policing Soviet history while itself being pursued, I *strongly suspect, by the* Plagiarism Police.

There are bits of Eisensteiniana here (quotes from or homages to *October* and *Potemkin*): bits of Wellesiana (vast, Gothic-lit rooms with low ceilings and looming shadows): and bits — well, whole chunks really — of Ken Russell. Former TV *Omnibus* director Palmer has caught the K.R. bug badly. When in doubt, throw in a bit of naughtiness, vaudeville or cartoon elephantiasis: (like the scene where Shostakovitch's teacher Glazunov takes his class sitting on high surrounded by giant alphabet blocks).

It is amazing in the circumstances that *any of the film* works. But a fair proportion does. Unlike Palmer's last venture, *Wagner*, which dragged along in full costume for what seemed forever, robed in great acting like a peer drowning in ermine, *Testimony* has an animating animus. It is out to get the Soviet Union and it is not about to let go. Ben Kingsley's composer is the unblinking eye of the polemical hurricane: a squat, burned, staring little man who believably spent his life steering between the fires of creative freedom and those of totalitarian tyranny. Kingsley gives the film an unassailable human core, which even transfigures the pompous dialogue. (The script is rich in lines like "No, it's the music matters, not me," when our hero refuses *to take a bow after a concert*).

Based on Shostakovitch's posthumously published diaries (about whose authenticity there are as many doubts as about those by Pu Yi which inspired *The Last Emperor*), the movie has a merry time booing the villains and cheering the hero. There is nasty old Stalin (Terence Rigby) putting the frighteners on musical freedom while worshipfully *attending Boris Godunov* each night. There is Lenin, waving at us out of old bio-pics. And there is the march of cloven-hooved Soviet history: thundering now through diabolical villainy (the show-trial purges), now through mighty heroism (the siege of Leningrad).

This is entertaining stuff, but it is also 2¾ hours of galloping kitsch. Pause for a moment's sober thought during Palmer's *assault on your senses* — which only once shows a moment of true originality, when a curtain of red blood pours down the monochrome screen after Shostakovitch's first crucifixion by the Russian press — and the film's *simplifications unravel before* your eyes. Is history, even Soviet history, such a pantomime play-off between goodies and baddies? And should we really accord artists runner-up status after saints and martyrs in the Great Human Sanctity Sweepstake? Beware of artists who say we should. They have a vested *interest*.

★

On The Black Hill is another slice of history spanning most of this century. Early on, as he sets up novelist Bruce Chatwin's saga of *border folk for the screen*, British writer-director Andrew Grieve looks as if he might be about to subject us to trial by soap-opera. Will grizzled Welsh tenant farmer Bob Peck make a go of marriage with prim English vicar's daughter Gemma Jones? Will their twin sons (Robert and Mike Gwilym) go off to WW1 together? And who will win the vicious land feud between Peck and his farming neighbour (Eric Wynn)?

But Chatwin's story is sterner stuff than a "Welsh Enders" and the movie reflects it. The tension between the two near-telepathic brothers, in whom mutual empathy wars with a desire for individual identity, is a pocket-mirror image of that between Wales and England. And there is a true whiff of emotional gunpowder in *the parents' marriage*: erupting in tragicomic explosions in bedroom and in biffs by Peck at his bookworm wife, using her own copy of a volume piquantly called "Wuthering Heights, Etc."

Grieves, his feature debut as director here sponsored by the British Film Institute, knits the episodes and epochs together so the film never sprawls. The border country landscape, superbly photographed by Thaddeus O'Sullivan, imposes its own breathing, unifying presence: a vast, *rain-rich carpet rucked up* against the heavens. And the actors live, strive, quarrel and age with a moving mixture of bucolic stoicism and cosmic defiance.

★

In a busy week for British directors, Mike Hodges (formerly of *Get Carter*) has drawn the short straw. *A Prayer For The Dying* is a piece of desperate inanity based on a Jack Higgins novel. Disillusioned IRA gunman Mickey Rourke wants to hang up his shotgun and emigrate, but in return for the forged passport he requires, super-crook *Alan Bates* wants him to do One More Job. Rourke does it, but is witnessed *in mid-murder* by *Father Bob* Hoskins. Rourke promptly vanishes, only to re-surface cunningly in the confessional, after which the Rev Bob cannot, of course, blow the whistle.

Also involved in this creaking narrative contraption, as justice closes in and tension endeavours to mount, are Bob's blind, organ-playing niece (Sammi Davis), a Ferris Wheel and several naked men jumping off a ship. By half-way the plot is so thick you could re-mortar the church walls with it. But none of it is remotely believable, and only Bates, camping it no end up as Mr O'Big ("For me death is an art form"), seems to have decided that the *best salvation lies in parody*. Hodges and Rourke have both complained that this version of their movie, re-edited by other hands, is a mutilation. But however you chose to assemble the pieces of this jigsaw, it could never seem anything but a horrible mistake.

★

Nor does the week's lunacy end here. In John Carpenter's *Prince Of Darkness* the Devil is trapped inside a canister in the vault of "St Godard's" church in L.A. Despite a generous shelf-life of 7 *million years, the green liquid in* the canister, comprising Satan's spirit, is about to come alive. Can the Rev. Donald Pleasence and a bunch of students and scientists recruited for exorcism win through?

Of course they can. In spite of the doubters — "Why do I want a Ph. D. in this?" complains someone — spooks are routed and special effects go yuk all over the screen. It is all as predictable as *Hogmanay and about as depressing*.

★

Far happier news from Australia. Decades ago I saw Leo McKern on stage as the unlikeliest Peer Gynt ever and probably the best. This short-breathed, growling, apoplectic fatty — the compliments are coming later — ate up the stage and has now graduated to eating up the screen. In *Travelling North* he plays a dicky-hearted old widower who teams up for autumnal romance with a still-pretty middle-ager (Julia Blake). They hoof off to Queensland's paradisal shores to "retire;" and there they do battle with an intrusive, barbecue-mad neighbour (Graham Kennedy), with missives of family distress from Melbourne (where Miss Blake's unhappily married daughters live) and with the attentions of a magisterially unscientific Jewish doctor (Henri Szeps). ("You don't need to know the details" is his response to every patient enquiry).

Scripted by top Aussie playwright David Williamson and directed by Carl Schultz, the film is everything that *On Golden Pond* should have been and was not: incisive, unsentimental and genuinely moving without making meretricious grabs at our tear-ducts. Above all, the film is willing to satirise its characters as well as celebrate them. Miss Blake's distrait, greyhaired newlywed is clearly rebounding from a history of failed relationships (see the mess she has made of bringing up her daughters). And *McKern's cantankerous ex-Communist* (based on Williamson's own father-in-law) is a man born to raise hackles whenever they are put before him.

The movie never makes the characters' shortcomings "lovable." It merely shows them to be the price worth paying in the contract with raw human fallibility that most human relationships must sign. Fierce, funny and touching, *Travelling North was 1987's* mos popular Australian movie in Australia: which shows that public taste can sometimes be right.

Bob Peck and Gemma Jones "On The Black Hill"

The Shaughraun/Olivier

Michael Coveney

The Royal Shakespeare Company scored a big hit with Dion Boucicault's *London Assurance* so the National Theatre must be allowed their turn at the melodramatic old reprobate's repertoire. His most renowned piece (pronounce it "shock-rawn") has been magnificently revived in the Olivier by Howard Davies, with designs by William Dudley that *are the first to take full magical* advantage of what the hydraulic revolve can offer.

The whole of County Sligo is evoked, a place both mythical and realistic in its crumbling ruins, abbey arches bestrewn with ivy, Virgin statues on promontories, grey-stoned prison walls and peasant cottages, with a great band of glittering starlit sea beyond. The action is set shortly after the Fenian uprising of 1866 and the Republican hero Robert Ffolliott (Fintan McKeown) is on the run from both "the polis and the sodgers." He has been rescued after transportation to Australia by Conn "the shaughraun," or vagabond, "the soul of every fair, the life of every funeral, the first fiddle at all weddings and patterns."

Boucicault became extremely wealthy performing and producing *The Shaughraun* — he played Conn himself at the premiere in New York in 1874, aged 55 — but he also arranged benefit performances for families of political prisoners in Ireland and Australia.

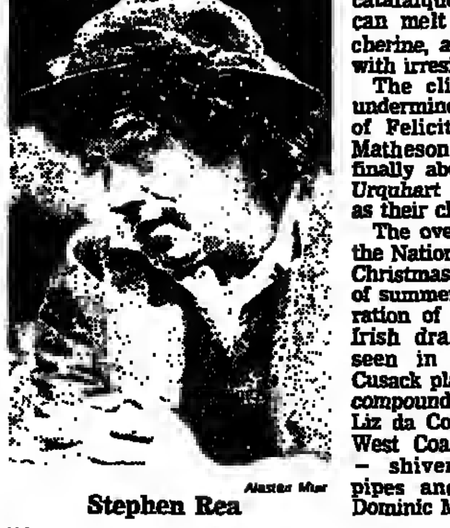
The NT does not sell us short on the excesses of the melodrama, but the sentiment is contained within a search for realism and truth in performance. The English soldier, Captain Molineux, fumbles with the Irish place names just as the very same actor, Shaun Scott, did as another soldier in Brian Friel's *Translations*. Conn, just like Synge's Christy Mahon, is cursed with a tyrannical parent. And the physical action of Fenian heroism, under-cover refuge and *police agents is the model* for later Troubles and other plays by O'Casey.

The production leans continuously against the bald banality of the writing without squeezing it dry. This notable achievement allows us to enjoy the play for what it is and not find it painfully risible. The chase across the Sligo landscape, with architectural landmarks amazingly disappearing over crags and materialising in perspective miniature, is both genuinely funny and exciting. The villains are superbly played by Stephen Moore and Anthony O'Donnell, the *latter* buffetted by his own colleagues each time he turns round to pick up the scent.

Stephen Rea is back at the National as a sly and thoroughly disarming Conn, brilliantly athletic in the comic set piece of his own wake (the embarrassing keening of the women is here transformed into rich comedy) and accompanied by a little brown terrier who loyally plants himself among the candles on the catafalque. Rea's steely charm can melt without turning saccherine, and he carries the play with irresistible energy.

The cliches of the plot are undermined by the warm playing of Felicity Montagu and Eve Matheson as the afflicted and finally abducted cousins. Robert Urquhart *is properly considerate* as their clerical uncle.

The overall impression is that the National has come up with a Christmas treat at the first sign of summer. The handsome restoration of this great milepost in Irish dramatic literature (not seen in London since Cyril Cusack played it 20 years ago) is *compounded by the costumes of* Liz da Costa and the wonderful West Coast melodramatic score — shivering violins, wailing pipes and high drama — by Dominic Muldowney.



Alastair Muir

Stephen Rea

The Factory Girls/Mayfest, Glasgow

Michael Coveney

Seen at the Tron as part of Glasgow's *Mayfest, Frank McGuinness*'s new play has now come to London's Riverside Studios. *The Factory Girls* is a decent, scrupulously well written piece of feminist consciousness-raising in a Donegal shirt factory, but not a work of the poetic density and brilliance we might have expected from the author of *Sons of Ulster*.

Garry Hynes's notably well acted production for the Druid Theatre Company is a subdued and reflective look at aspects of the Celtic story rather different *from those raucously celebrated* in Wildcat's football cabaret in the Pavilion. New Catholic management *in the shirt factory* has led to a tailing off of the Protestant orders. As redundancies loom in a proposed "modernisation" programme, the women occupy the offices.

The first act is a traditional work play, the five girls, led by the ebullient Ellen (Pat Leavy), clocking on and jostling for position within the group. Much energy is expended garrulously telling each other to shut up. The *dialogue is accompanied* by the brisk snipping, finishing and folding of an endless supply of brilliant *white shirts. The girls* are good at their jobs, while the new management knows neither the job nor the market.

McGuinness is far too good a writer to render any of this dull or mundane, but there is a rhythmic predictability about the second act developments. Vera (Catherine Byrne) is under pressure from home to resume her domestic station. Two of the girls, the solitary Rebecca (Marie Mullen) and the young no-hoper Rosemary (Tina Kellegher), strike up a supportive friendship. Old dotty Una (Doreen Hepburn) proves a stalwart in adversity, having turned up with an electric fire and a supply of toilet rolls and Bushmills whiskey — "the bare necessities of life."

The priest who will not come *and say Mass for them* because he disapproves of their action is sadly demolished by Una. We are left in no doubt as to the justness of the women's cause, but that becomes secondary to the shifting moods of strength and dependence described in writing of some subtlety and acting of great depth.

★

"Businessmen and artists, clowns and comedians, are getting *together" reports Marcella Evaristi* in her very funny late-night monologue, *Visiting Company*, also at the Tron. What with *The Mahabharata*, the Garden Festival (and what a dreary non-event *that* turns out to be) and Mayfest, Glasgow has "thrown away its flat cap and sandblasted itself in the face."

It had to come, the satirical backlash, and no-one is better placed to start the ball rolling than Miss Evaristi, as accomplished a performer as she is writer. In a livid green two-piece suit and floral hat, Mrs Andrews is "up-fronting a gala" and standing in for her indisposed councillor husband at a conference of Conservatives for the Arts. There is sadness in her personal life, and her *speech is finally engulfed* by interruptions.

But there is so much to celebrate in Glasgow these days, not just in the arts, but in the whole cultural complexion of the city. As Mrs Andrews proudly remarks, "For every wino spewing up his Special Brew and sausage supper, there's a wine bar opening now!"

Peter Grimes/Maggio Musicale, Florence

William Weaver

The fifty-first Maggio musicale nearly failed to open; but, at the last minute, the strike was called off; and the familiar, inaugural crowd filled the Teatro comunale last Friday night for a new production, in English (with titles), of Benjamin Britten's *Peter Grimes*. If there was any lingering tension backstage it was not evident in the *performance*, which moved smoothly.

It also moved without much excitement. The character of Peter Grimes is so rich that interpreters as diametrically different as Peter Pears and Jon Vickers can create widely disparate but equally convincing impersonations. Jacques Trussel, however, was *all* external. He went through the motions; but the deep inner compulsion, the tormented self-destructiveness were simply not there. And until the last act, when he was finally persuasive and vocally effective, his singing was also uninteresting.

Jean-Piere Ponnelle was the designer and the producer; but because of his illness, Ponnelle's staging was realized by Lorenzo Mariani. For whatever reason, the singers' *movements* looked unnatural, forced — even though *Florence had assembled a cast of* Britten veterans.

But it was as a designer that Ponnelle showed the greater lack of understanding. To make all the inhabitants of the Borough dress alike underlined their rigid conformity, but it also made for visual dullness and a sameness of personality. The men in uniform slate blue-grey looked like so many policemen; the Boar had no sense of refuge (the storm was very *inadequately* staged); and Peter's hut, specifically described as shipshape, looked like an undergraduate's room towards the end of term. The predominant monochrome stage-picture showed a rural church and graveyard, half-buried in the sand of a beach: an unlikely spot for worship or for eternal rest. The contradictions of the staging were evidence of deeper uncertainties about the whole significance of *the opera. It is*, after all, the work of a convinced pacifist and of a card-carrying communist. It makes social statements: none of them came across.

The Grimes of Jacques Trussel was younger than usual, and so it was appropriate that the Ellen *Orford should be younger*: more sisterly than matronly. Pamela Coburn played her with sensitivity; and her singing, sweet and true and fluent, was the most enjoyable heard all evening. The Balstrode of Thomas Stewart was full of authority and humanity, a pillar of the performance. The same could be said of Elizabeth *Bainbridge's Auntie. Roderick* Kennedy was an idiomatic Swallow, though Ponnelle turned Ned Keene into a kind of song-and-dance man, Timothy Nolen managed to create an incisive little miniature.

The Maggio musicale chorus, prepared by Roberto Gabbiani, *coped well with the music*, less well with the English words. The Florence orchestra also did a good job; the numerous little solo passages were all expertly played. But the young conductor, Spiros Argiris, most of the time simply led his forces through the score. Though all of Britten's Operas have at some time been *given in Italy*, they are *still* a long way from being a part of the repertory. Uneven presentations, *like this Peter Grimes*, will not do much to advance the cause.

Aida/The Place

Rodney Milnes

Cut-down grand opera, even with a measure of disrespect thrown in, can be a perfectly valid artistic experience, and the Pocket Opera of Nuernberg has built a certain reputation in this line. Inviting them to London is one of many admirable features of the enterprising London International Opera Festival.

There is a cast of six and a band of five, the latter unduly dominated by a synthesiser rather too often in its doorbell-chime mode. Not too much of the score, or its sound, is left: the resulting *running time is two* hours including interval. Huge chunks are omitted, and there *are unmusical internal cuts*. Not, then, an evening for purists.

Narrative is largely dispensed with. The punkish action seems based on the tyranny of the record industry. Aida is imprisoned in a huge collar of LPs; Radames's triumphal necklace is made of slightly foxed CDs, and both Amneris and the King sport *one* in their hats. In the second part the floor space is littered with broken discs. The set is decorated with electronic circuits.

So far so naughty. The problem is the deliberate amateurishness of the proceedings: camp jokes have to be better. The *Ballet egyptien* routines that do service for the public scenes are simply not slick enough, and over all there hangs a fatally heavy, triumphally arch Teutonic rogueishness. What saves the evening — just — from being a write-off is the singing: Ute Rueppel (Aida), Sigurd Karnetzki (Radames) and Lorenzo Jordan (Amonasro) have decent voices, and in Verdi decent voices can overcome almost anything. Most *remarkable is Elizabeth Kingdon* (Amneris), whom I remember as a lyric soprano in Bielefeld some *30 years ago. Her voice may show* its age, and she may look and (with half of Hatton Garden on her false eyelashes) carry on like the Incredible Orlando, but you certainly know when she is on stage. Her resort to break-dancing at the end of the Judgement Scene is one of the most unusual things I have seen on the operatic stage. But it is not *quite* enough to recommend performances on Friday and Saturday to any but the most avid seekers after the outlandish.

The Worm in the Heart/Drill Hall

Claire Armitstead

The distinguished Irish journalist Nell McCafferty brings to her first play a passion and an ability to manipulate words, issues and images that are not yet matched by her skills as a dramatist, yet despite the chaotic sprawl of its references *The Worm in the Heart* is profoundly troubling. It is *really an illustrated discourse* for one performer, which takes its title and its starting point from a lecture title: "Romance is the worm to the heart of feminism." Ah yes, muses the pregnant bride on the eve of her wedding, how well she remembers her parents dancing together, even when they weren't on speaking terms.

But McCafferty is too smart to accept any such statement at face value and proceeds to uncover a whole colony of worms burrowing into the heart of "the daughter of the last of the full-time mothers." In a nod to her original brief to chart the history of the Irish women's movement she hurtles through such historical trailblazers as the storming of the mens' loos by secretaries at the Dail and the seizure of the right to drink pints in pubs, lingering with a journalist's eye for human interest on the particular failures of feminism — tragedies such as Anne Lovett, who died in childbirth at 15, and Joanne Hayes, the young mother at the centre of the Kerry Babies scandal. It is easy to forget just how much ground Irish women have to gain to areas that most of us take for granted.

In that light her loading of injustice towards women is forgiveable, although I find it hard to know quite how to take her statement "dirt kills women, it doesn't kill men" when applied to dirty protests by men and women' prisoners in neighbouring jails, and I find it even harder to see how Aids fits into the picture. On the positive side, the piece is blessed with a devilish sense of humour and a performance from Ruth McCabe that creates little pockets of drama where none would seem to exist. When she relates why Garret Fitzgerald dropped *his plans to tax sanitary* towels (his finance minister couldn't bring himself to talk about it *on television*) an accomplished raconteur is at work; when she mourns the demise of the full-time mother, she wraps the heartstrings, worms and all, around her little finger.

Arts Guide

May 13-19

Continued from Page 18

ducted by Hartmut Hänchen, with Birgit Fandrey, Oliver Tobias (Tue,Thur) (255 455).

The Hague (Danstheater). The National Ballet dances in Carolyn Carlson's Shamrock set to to music by Gabriel Yared (Tue, Wed) (60 49 30).

NEW YORK

American Ballet Theatre (Lincoln Center Opera House). Spring season highlights include the world premier of Mark Morris's Drink to Me Only With Thine Eyes, set to Virgil Thompson's score and Santo Loquesto's set, along with the new productions of Gaite Parisienne choreographed by Leonide Massine and Raymonda choreographed by Mikhail Baryshnikov after Pepita. (362 6000). Ends June 11.

New York City Ballet (New York State Theatre). Celebrating its 40th anniversary, the company has commissioned 20 works including five with new scores, that punctuate the Balanchine, Robbins, Martins repertory with pieces by Lar Luvovich and Paul Taylor among others. Ends June 26.

Mark Morris Dance Group (Brooklyn Academy of Music). Set to music ranging from Mozart to Hopi Indian chants, the three local premieres in the programme display the drama in Morris's choreography. Ends May 22.

PARIS

Faust (Paris Opera). Performance conducted by Alain Lombard with Faust sung by Alberto Cupido/Jean Dupooy; Mephistopheles sung by Jose Van Dam/Jean-Philippe Courtis, and Marguerite sung by Gabriella Benackova/Michele Lagrange. This alternates with Spectacle de Ballets (47 42 53 71).

Carolyn Carlson (Theatre de la Ville). Dances in Dark, a premiere of a fantasy on images of angels created by 18 dancers. (42 74 22 77).

Pina Bausch and the Wuppertal Tanztheater (Theatre de la Ville) with Ahnen, in which choreography reflects her gentler and sadder feelings about human relationships. (42 74 22 77).

Thaïs (Opera Comique). Massenet, combinging religious feelings with sensuality, conducted by Lawrence Foster in Nicolas Joel's production (47 42 57 50).

VIENNA

Staatsoper L'elisir d'amore by Donezetti. Conductor Marcello Panni. With Luciano Pavarotti, Noriko Sasaki, Bruno Pola, Giuseppe Taddei. (Fri and Tues. 19.30). Otello by *Giuseppi Verdi, conductor Adam* Fischer; Anna Tomowa-Sintow, Margarita Lilowa, Wladimir Atlantow, Renato Bruson. (Sat.19.00). Dream Dances by *Luciano* Berio, Verklaerte Nacht by Schönberg. Les Noces by Igor Stravinsky. Conductor Caspar Richter. (Sun. 19.30). L'Italiana in Algeri by Gugliemo Rossini, conductor Claudio Abbado: Patrizia Pace, Agnes Baltsa, Ferruccio Furlanetto, Alessandro Corbelli, Franco Lopardo. (Wed. 19.00) Tchaikovsky's Eugene Onegin, conductor Seiji Ozawa: Gertrude Jahn, Peter Dvorsky, *Nicolai Ghiaurov*, Wolfgang Brendel (Fri. 19.00). (51444, ext 2959/2960).

Volksoper. Weber's Der Freischütz, conductor Dietfried Bernet (Sun. 19.00) Der Barbier von Sevilla by Rossini, conductor Fabrizio Ventura (Mon. 19.00). (51444, ext 3318/9).

ITALY

Rome, Teatro Dell'Opera. Richard Strauss's Salomé, conducted by Enrico Job, with Lia Frey Sabine int e title-role (fully dressed). Also in the cast are Horst Hiestermann, Elizabeth Glauser and Peter Webber (Edda Moser will sing Salomé at some performances). (Sat, Tues, and Thurs).

Milan, Teatro Lirico, Tsar Saltan by Rimsky-Korsakov (sung in Russian) in Luca Ronconi's production, designed by the architect, Gae Aulenti, with costumes by Giovanna Buzzi. The cast includes Piotr Nowasky, Gloria Banditelli (alternating with Nicoletta Curiel), Josella Ligi, Bernadette Manca Di Nissa, Juri Marusin (alternating with Joseph Evans and Aldo Bramante). (Fri, Sat, Sun, Tues, Thur) (86.64.18).

Milan, Teatro Alla Scala, Donizetti's L'Elisir d'Amore produced by Andree *Ruth Shammah* with scenery by Giorgio Cristini and with costumes by Jacques Schmidt. The cast includes Carmela Apollino, Alida Ferrarini, Claudio Desderi and Goesta Winbergh (Wednesday) (80.91.26.).

Genoa, Teatro Comunale. Puccini's Tosca in Attilio Colonnello's production conducted by Daniel Oren, with Raina Kabaivanska (alternating with Adriana Morelli), Guiseppe Giacomini and Silvano Carroli (Sunday, Tuesday and Thursday) (589.329).

Naples, Teatro San Carlo. Roberto de Simone's production of Rossini's Ermione (with scenery and costumes by Enrico Job), conducted by Gustav Kuhn (in collaboration with the Rossini Opera Festival at *Pesaro*). The cast includes *Montserrat* Caballe, Kathleen Kullman, Chris Merritt and Robert Gambil (Friday, Sunday and Wednesday) (417.144).

Saleroom/Antony Thorncroft

More Impressionist highs

In New York on Wednesday night the spotlight switched to Christie's major sale of Impressionist and modern paintings. After the success of Sotbeby's auction a night earlier, which totalled over $94m, with nine new artist records, Christie's had to pull out the stops — and it did so, setting its own high for a New York sale of $63,173,000 (£33,424,867), for seventy two lots, and also establishing nine artist records. Perhaps most remarkable was the low unsold level of 5 per cent. Obviously artistic masterpieces seem very attractive to the world'e rich. Perhaps they know something about the future trend *of stock market prices*.

There was one slight disappointment. The most important painting on offer, a portrait by Van Gogh of Adeline Ravoux, the daughter of the inn keeper at Auvers where he spent his last weeks, sold to e private collector for $13,750,000 (£7,275,132), rather less than had been expected for such an important work. It was one of the last paintings by Van Gogh, and is a poignant mix of blues.

As compensation there were some impressive artist records, most notably *the £2,328,042 paid* for "Le pont de Chatou" by Vlaminck. "Fauve" paintings of this quality are rare on the market but even so the price doubled the estimate. The same sum was paid for "The conversation" by the American artist Mary Cassatt, who moved in Parisian circles. It was a record and far ahead of estimate.

All these works went to private collectors as did a Giacometti sculpture, "Trois hommes qui marchent," conceived in 1948 and one of six made. It sold for £2,037,037, setting a double record, for the artist and for any work of 20th century sculpture. "L'ombrelle" by Renoir, depicting a young *lady shielding* herself from the sun with a parasol, made £3,492,063 and a Monet of *his garden at Argenteuil* sold for £1,746,031. Two other noteworthy artist records were the £1,164,021 paid for "Le dejeuner" by Leger and tha £935,000 for "Le paddock," a 1925 racing scene by Dufy.

(Perhaps not by chance Sothsby's announced yesterday that it was offering a superb Monet, "Dans le praire," showing his wife lying in a meadow, in its London sale on June 28th. It is expected to top £6m and set a record for Monet). In Monte Carlo on Wednesday night Christie's *sold a 1936 single seater Grand* Prix Alfa Romeo for £1.5m, a record for a Grand Prix car at auction. *It will stay in England*.

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Friday May 13 1988

Mr Rocard's task

THE NEW French Government starts with a considerahle capital of goodwill at home and abroad. That is as well, because the tasks it faces are far from simple. One way to sum them up is to ask how far the French are willing to see their politics and their economy refashioned on a West German model.

Chosen as a symbol of openness towards the centre, Mr Michel Rocard has been unable to persuade any front-rank centrist politicians to join his Government. Instead he has fallen back on reappointing most of the Socialist ministers of 1984-6, in what looks almost certain to prove a holding operation.

Anxions not to appear self-serving and treacherous, the centrists feel constrained by their election to the present parliament on a platform of united conservative opposition to socialism, and have so far been prepared only to say that they will "judge the Government by its actions", that is on the merits of each proposal as and when it comes before them.

This would amount to precisely that subjection of government to the whim of a shifting parliamentary majority which the institutions of the Fifth Republic are designed to prevent. If the centrists stick to that line they will provide the President with a good excuse, indeed a valid reason, to call new elections, in which few centrists can hope to hold their seats unless they renew their alliance with the right.

FDP-type role

Many of the centrists aspire to play the role in French politics that the Free Democratic Party plays in West Germany. But West Germany has a proportional electoral system and the FDP has shown itself willing to switch partners before rather than after a general election. For French politics to assume the German pattern France would have to emulate Germany in one or both of those respects.

Seven years ago Mr Mitterrand's victory caused dismay, not to say panic, on the French stock market and a run on the franc. That nothing of the kind has happened this week reflects the market's confidence that he and his Socialist friends have learned the lesson of their mistakes in 1981. Mr Rocard's appointment is reassuring in that respect because he was the one major figure in the Socialist Party who made known his disagreement with those policies even at the time.

Article of faith

It has become an article of faith with French Socialists that the cycle of inflation and devaluation – the traditional escape route of French governments – is no longer viable now that France's economy is indissolnbly linked to those of its European partners. They are determined to maintain the franc at its present parity, and tha market clearly believes them. Yet the inflation differential since the last realignment in the European Monetary system in January 1987 has already pushed the franc up between 2 and 3 per cent against the D-Mark in real terms. There is clearly a danger that this Government, like so many of its left-wing predecessors on both sides of the Channel, will forfeit the initiative by staking too much on the defence of an overvalued currency.

Of course the French, like those in Britain who argue for full EMS membership, regard the link to the D-Mark as a valuable anti-inflation discipline. But at the same time they are acutely aware of the danger that West German caution will impose the present snail-like West German growth rate on Europe as a whole.

President Mitterrand has devoted much of his energy to cultivating a close relationship with Bonn, partly with a view to gaining some influence over West German economic policy. Clearly he would not wish to jeopardise this infinence by initiating an EMS crisis. The trouble is that so far there is little sign of French influence having any measurable effect.

Meanwhile, if devaluation is ruled out, the only alternative escape route is to make French industry competitive with German by holding labour costs steady and increasing productivity, which could only be achieved by a policy of resolute liberalisation and deregulation. The question is how far this will prove compatible with Mr Rocard's commitment to the "social treatment" of France's economic and political woes.

Clearing the centre

THE DEPARTURE of Mr David Steel from the joint leadership of the Social and Liberal Democratic party leaves the centre ground of British politics wide open. Mr Steel has tried for the past 12 years to capture that ground: although his tactics may have changed significantly over the years, his guiding light all along has been a sense of the need to break off the right wing of the Labour Party so as to bring about a realignment of the centre-left.

In doing this Mr Steel has made a major personal contribution to British politics, although it cannot be said that his efforts have been crowned with success. He came close to that when he formed a pact with the then Labour Prime Minister, Mr (now Lord) Callaghan, and perhaps closer still during the early, heady, years of SDP ascendancy in popular opinion. But at the end of the day the non-Tory parties are as divided and quarrelsome as ever.

There are now three possible routes towards the formation of a viable opposition to the Conservatives. One would be for the leader of the Labour Party, Mr Neil Kinnock, so to hasten and broaden the reformation of his party that voters who might otherwise be tempted to support the Democrats support Labour instead. The other is that the Democrats themselves, under a new leader now to be chosen, win the broad centre ground and knock Labour out. The third is that both parties behave in such a way that an electoral pact between them becomes possible.

Shifting balance

All three routes lie across the centre ground of British politics. All three depend in part on embracing the basic social market economy and perhaps shifting its balance towards greater care for the losers. Mr Steel signally failed to grasp this. Yet all the evidence relating to the post-war behaviour of the British electorate indicates that there is no hope of victory for a left-inclined Labour Party. This is understood by Mr Kinnock: he is trying to reshape his party's policies accordingly. The trouble is that the Labour Party still contains a number of features that are likely to repel possible recruits from the Democrats, such as its undemocratic constitution, the block vote system and, perhaps most damaging of all, the umbilical connection with the trade unions.

Thus for the time being, at least, the Labour Party is unlikely to regain its position as an alternative government in whose possible victory at the polls people can believe. Without that belief, it will remain only half an opposition.

Adept tactician

The focus must therefore once again shift to the Democrats. They are in better shape as Mr Steel leaves them than was previously thought: in last week's local elections, they scored close to a fifth of the vote and effectively wiped out Dr David Owen's splinter group. Since that much was achieved in deeply adverse circumstances, the assumption must be that a new leader can now do better. Of the likely candidates, Mr Paddy Ashdown looks best placed to give the party the necessary push.

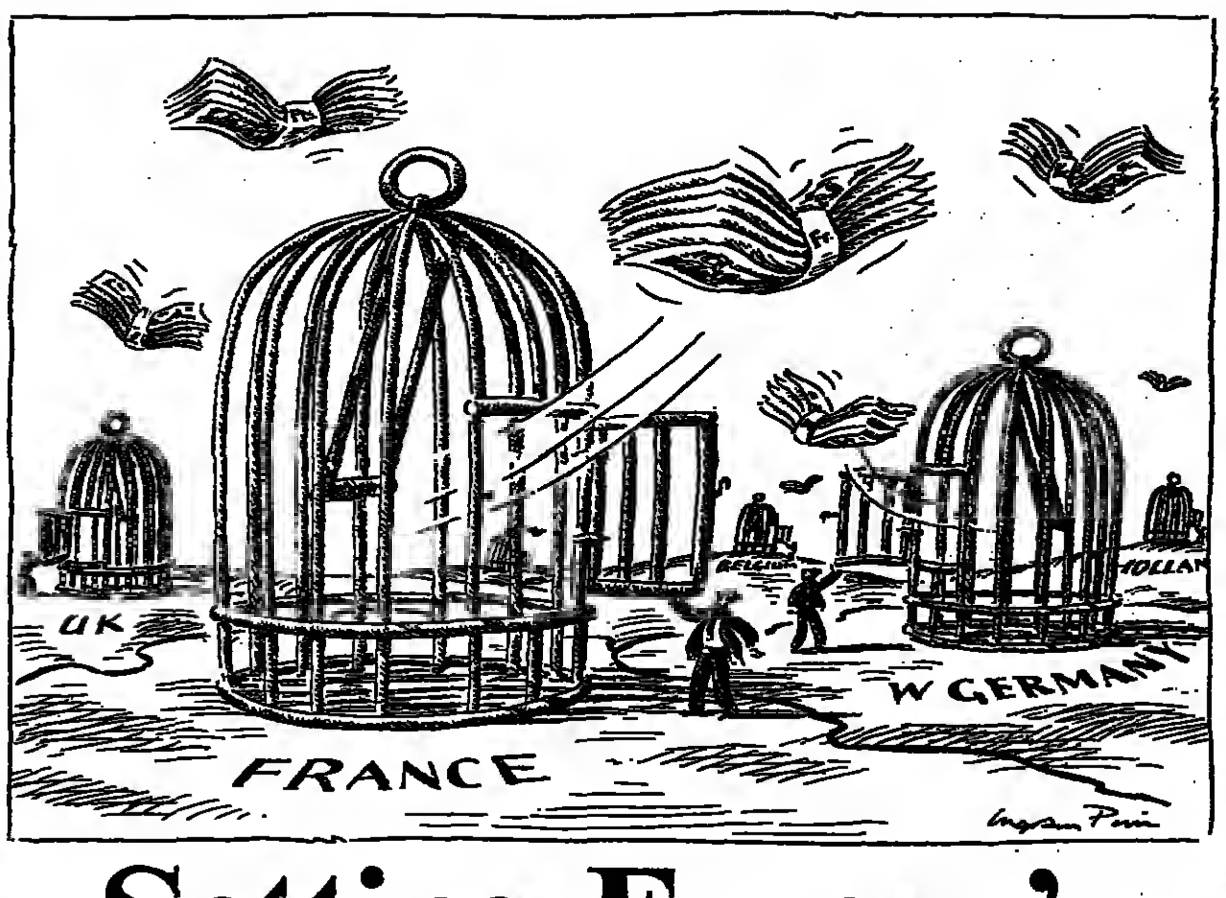
The lesson of Mr Steel's years is there to be learned. He was an adept tactician, but his interest in the details of policy was limited. Both can be positive qualities in a political leader, but in Mr Steel's case the most vital ingredient was missing. This was an ability to put across a set of values in which people could believe.

There is no mistaking the values of what has come to be known as Thatcherism. Voters may not support old-style Socialism, but they know what it is. When it comes to the Democrats, however, the central ethos remains a mystery. There is a vague idea of what it is not (it is not Thatcherite and not Socialist), but little of what it is.

Mr Ashdown may possess the best new-look face, but he has yet to demonstrate that under him the Democrats can project a clear new set of values that will set the centre ground alight.

David Buchan in Brussels analyses the EC's proposed liberalisation of capital movements

Setting Europe's money free



THIS WEEKEND finance ministers of the 12 member states of the European Community will gather at the German coastal resort of Travemunde for reflection before taking a major leap into the unknown and deciding to free all movements of capital throughout the Community.

The "unknown" is that while capital liberalisation is just one of the nearly 300 approved or proposed directives designed to create the single EC market by 1992, it has potential consequences that go far beyond the 1992 programme. It could turn out to be a rung on a ladder leading to a common European monetary policy and even to the establishment of a European central bank with all the pooling of national sovereignty that would imply.

West Germany, as current president of the EC Council of Ministers, has expressed high hopes that the finance ministers will pass the capital liberalisation directive in early June, knowing that otherwise the remaining six weeks of its presidency could pass without any important step towards the single market. In addition, Chancellor Helmut Kohl said this week that, while the time was not yet ripe to create a European central bank, the issue would be discussed by EC heads of government at their Hanover summit at tha end of June. His Foreign Minister, Mr Hans Districh Genscher, has already suggested that the Hanover summit should set up a Wise Men's inquiry into the feasibility, structure and timing of creating such a bank.

Might, therefore, 1988 see as big a leap in European monetary affairs as 1978 did with the creation of the European Monetary System and its knitting together of most EC currency rates?

There is certainly deep scepticism abont fresh plans for anything approaching European monetary union. It is rooted in a widespread consensus that such a union inevitably implies a common economic, hndgetary and fiscal policy, and that anyone who thinks a European government is just round the corner is hallucinating. The Community has consistently missed any past deadlines it has set itself in this field – notahly the 1970 Werner report's call for economic and monetary union by 1980, and the 1978 agreement, at the time of the creation of the EMS, to establish a European Monetary Fund by 1981 as a sort of half-way house to a central bank.

It is therefore more than a little surprising that the central bank issue has been raised again for serious debate. Mr Edouard Balladur, then French Finance Minister, put it into play at the end of last year by posing a series of questions about a possible central bank for study by his fellow finance ministers, and proposing some shorter term reforms to the EMS. He lost his job this week, but there is no reason to suppose his successor will have any less interest in monetary reform. Probably to Mr Balladur's surprise, his propositions have since been batted back and forth by Mr Giuliano Amato, the Italian Finance Minister and, in West Germany, by Mr Gerhard Stoltenberg, the Finance Minister, Mr Karl Otto Pöhl, the Bundesbank president, and Mr Genscher.

"The bizarre thing is that so far ministers have written more on this than their officials," comments one EC Commission official. But it is hardly surprising that the politicians have been unusually moved to put pen to paper. The monetary reform debate is highly political, going beyond the technicalities of intervention and currency volatility in the EMS to issues of jobs and growth across Europe.

It reflects a sea-change in Europe's decade-long consensus on a joint fight against inflation, as price rises slow to a rate which a number of governments regard as acceptable for the long term. There are growing complaints by Germany's EMS partners, chiefly France and Italy, that relative under-valuation of the D-Mark and over-valuation of their currencies has created structural German export surpluses and stopped them expanding fast enough at home.

In a sense, what Paris and Rome would really like is places on the board of the Bundesbank, which essentially sets monetary policy for the EMS. But since they cannot get that, they have refloated the idea of a formal European central bank. Much has been made of the nuances in the various responses from Bonn and Frankfurt. But the basic message of Genscher, Stoltenberg and Pöhl to West Germany's partners is: if you want to join us in the driving seat, the Euro-bank would have to be a vehicle of German design, legally committed to price stability and, like the Bundesbank, independent of governments. The very thought of such a model may, in the end, he enough to frighten Bonn's partners into dropping the idea.

The catalyst for these arguments is the imminence of the EC directive on capital liberalisation. With longer derogations for newer or poorer member states, this would, sometime in 1989, lift all remaining controls on short-term financial transactions unrelated to trade or direct and equity investments and let all citizens open bank accounts in other EC states. The move is an essential complement to other EC measures to allow the cross-border provision of financial services. But it has other, broader implications for monetary policy.

No one disputes the potential for quicker, sharper jumps in EMS rates, with short-term speculative money free to slosh around Europe. Nor does anyone challenge the logic that if member states want to maintain the currency stability of the EMS and to reach the degree of economic integration only achievable through complete capital liberalisation, they cannot run deviant monetary, or economic, policies.

The link between capital liberalisation and reinforcement of monetary co-operation has already been clearly made. Last September's Basle-Nyborg agreements reinforced both the credit facilities (more money for central banks to intervene to support currencies within their margins in the EMS parity grid) and the co-ordination mechanisms (more quantified analysis by central bankers and finance ministry officials of exchange and interest rates movements). These changes were prompted by the botched co-ordination between France and Germany that led to the January 1987 EMS realignment. This was widely regarded as "unnecessary" and "forced" on governments by the markets. But the changes were also seen as vital to bolster the EMS in an era of free-moving speculative capital.

As far as the EC Commission was concerned, the Basle-Nyborg accords were a necessary, and sufficient basis for it to table its capital liberalisation proposals a month later. Indeed, the agreements proved their worth when a series of co-ordinated Franco-German interest moves and French intervention kept the EMS steady during the late autumn fall of the dollar. However, the Commission has not been unhappy to see its capital liberalisation proposals spark a debate about monetary reform. It may have limited competence for monetary affairs, but it also has as its president, Mr Jacques Delors, a former French Finance Minister, who has shown a far more consistent interest in monetary matters than his predecessors.

Some member states have no qualms about lifting national sluice gates on their domestic capital pools. The UK, West Germany, and the Netherlands have already done so. Denmark still insists on authorisation for the opening of bank accounts abroad, a formality which it could probably dispense with easily. Belgium and Luxembourg claim their dual foreign exchange system is not really a control on capital flows, but because of other countries' insistence they are ready to phase it out.

Of the rest, Spain, Portugal, Greece and Ireland can plead either newness of EC membership or capital scarcity or both to be exempted for some while from the rigours of full financial free trade. To the extent that capital liberalisation is a high-wire act for some member states, the Commission has proposed stitching together a stronger safety net out of two existing EC mechanisms for medium-term loans to member states in balance of payments straits. The likely outcome is that the EC governments will anthorise a lending ceiling of around Ecu 16bn (£10.5bn) – from funds either borrowed on the capital markets or taken out of the EC budget.

But this is not enough to assuage the nerves of the two big states with a long tradition of capital controls – France and Italy. Both have eased restrictions in recent years, particularly for companies, but still limit the opening of bank accounts abroad and domestic lending to non-residents. Italy, in particular, wants a safeguard clause so as to be able to raise the drawbridge if trouble hits the lira, and it has also joined forces with France in urging "symmetry" in the responsibilities of strong as well as weak currency countries to maintain parities in the EMS.

Translated, "symmetry" would mean the Bundesbank buying francs or lira, or selling D-Marks, when the franc and lira come under market pressure. Since Nyborg the Bundesbank has been prepared to lend D-Marks directly to, say, France to help support the franc before the French currency hits the floor of its margin within the EMS. But it steadfastly refuses to hold in its reserves, and therefore make any sizeable purchase of any foreign currency except dollars.

"The French are simply jealous of the D-Mark as a reserve currency," says one (non-German) central banker closely involved in the EC debate on monetary reform. But there is more than Gallic pique involved. Both France and Italy feel they have done remarkably well in getting their inflation rates to an annual level of 5 per cent or less. And their financial officials pay tribute to the EMS and its "German anchor" in this achievement.

But this very success, they feel, gives them some leeway to expand, or would give them leeway but for strong money, high interest rate policies imposed by membership of a German-run EMS. "We don't want to be dragged into uncompetitiveness by Germany," says one French official.

A slightly different slant is provided by a senior Italian official. "The Germans, too, have a structural problem. They have to learn to liberalise their economy and generally become more optimistic about their future," he says. The fact is that some of Germany's partners are beginning to view with blank incomprehension its continuing economic angst 40 years after its last bad bout of inflation.

The aim of EC capital liberalisation is "to add financial freedom to currency stability," as one Belgian official puts it. There is clearly a risk, however, that one could jeopardise the other. One solution tentatively proposed, not surprisingly, in a paper by Mr Amato to his EC colleagues is that the fluctuation bands for most currencies around their central rate in the EMS be widened from the present margin of plus or minus 2.25 per cent to something like the 6 per cent margin permitted to the lira. But this idea is firmly rejected as an unnecessary step backward by most member states and by the EC Commission. They argue that the 2.25 per cent margin is far less of a constraint than it was when inflation differentials between EMS members were much greater. Besides, a loosening of exchange rate ties would be seen as thwarting the integrationist drive towards 1992 and the single market.

Mr Amato made his suggestion in the context of sterling joining the exchange rate mechanism of the EMS. He said there was fresh urgency for this because "nations not adhering to the exchange rate agreements would gain from the complete liberalisation of the capital market in Europe, without being subject to the restrictions it places on domestic economic policies." His fears rest on the freedom of monetary manoenvre that the UK alone would have to undercut its EC trading partners with a depreciated currency or out-grow them with lower interest rates.

But the UK Government itself might soon rue that it cannot play the full role in the monetary reform debate that only full participation in the present system could confer. It is hard to envisage Mrs Thatcher taking a back seat on any major issue. But that is what she might be consigned to at the Hanover summit when monetary reform comes up for discussion.

The stakes are high. As the finance ministers at Travemunde will be well aware, there is a risk that complete liberalisation of capital movements could push the EMS backward instead of forward. As for a European central bank, it "cannot be carried out as an experiment," Mr Hans Tietmayer, the long-serving state secretary at the German Finance Ministry, said recently. "It must succeed at the first attempt. Its failure would mean more than just the setback of a few years in European monetary integration."

OBSERVER

Otherwise engaged

■ Banquo's ghost scene had nothing on yesterday's annual meeting of Standard Chartered at the Connaught Rooms where the conspicuous absentees almost outnumbered those present.

Most notable was the non-appearance of Robert Holmes à Court and Sir Y K Pao, the two "whits squires" who rescned Standard from the clutches of Lloyds in 1986 and are now group deputy chairmen with nearly 30 per cent of the troubled bank between them.

Sir Peter Graham, the chairman, said Holmes à Court had been "unavoidahly detained" - a somewhat understated reference to his efforts to sell off large chunks of his Bell Gronp and keep it afloat. His alternate, Alan Newman, was missing for the same reason. Y K Pao, the Far East shipping magnate, also had more pressing engagements, in his case sorting out the constitution of Hong Kong in advance of 1997.

The third white squire, Malaysian Tan Sri Khoo, was absent as well. He was forced to resign his directorship last year after the Brunei bank frand affair. The chairman was not sure yesterday where Khoo was, but said he had telephoned a few days before from Australia to ask if Standard was planning a rights issue.

The meeting also passed without the attendance of a Standard Chartered group chief executive. The previous one, Michael McWilliam, resigned in February (and was not mentioned once) and the new one, Rodney Galpin of the Bank of England, thought it better not to break his self-imposed purdah before he takes over in July.

The only ghost from the past who did turn up was Lord Barber, the former Chancellor who was chairman until last year. But since he led the resistance to what (with hindsight) was a most generous Lloyds bid, his standing among Standard's shareholders was hard to gauge.

End to isolation

■ The Canadian Government is claiming a major diplomatic coup ahead of next months' world economic summit meeting in Toronto. For the first time in more than a decade of summitry, the White House press corps is to share the same facilities as the rest of the world's media at the seven-nation meeting.

The 200-strong group of journalists who travel with President Reagan traditionally set up their own press centre well away from the main summit venue. For the US Administration, that helps to ensure that reports sent home are uncontaminated by the views of other delegations at the summits. The journalists themselves jealously guard their access to the President and his spokesmen.

According to Canadian officials, the White House has bowed to diplomatic pressure and agreed that this year they will have to work alongside the 5,000 non-isolationist reporters at the Toronto convention centre.

President Havers

■ The president of Wimbledon Football Club is Lord Havers, the former Lord Chancellor, and has been since just after they entered the football league a decade ago. He was then MP for Wimbledon.

He believes he may be the only Wimbledon supporter in the House of Lords. He will be at Wembley on Saturday when the team takes on Liverpool.

Sex at Cambridge

■ Cambridge University is in the throes of another one of its periodic academic rows. This time the difficulty is over the use of sexist language in the statutes which govern the university.

The Council of Senate, the governing body of the university, recommended this week that the masculine pronoun in the statutes be changed to something non-gender specific.

"You know what I miss? Colman's mustard and Worcester sauce."

The Council has been swung by the arguments of Dr Joan Whitehead, a lecturer in psychology, who delivered a monologue to the Council on the history of sexual discrimination. Many men at the university did not understand the problem, she argued. After all, she said, the last person to discriminate against white, Anglo-Saxon, protestant, heterosexual, males was Mary Tudor.

The opposition to the move is led by Professor John Baker. He points out that the change will certainly make the statutes more verbose and could lead to confusion of interpretation. The cost of the change could be about £10,000 in printing alone at a time when faculties need money for books and facilities.

If he can muster twelve brave men and true from the voting body of the university to oppose the recommendations before May 24, then all senior members of the university will be asked to vote on the matter.

Bit of a gap

■ The north of England is obviously another country as far as the staff of Peter Jones, the London department store, are concerned. An engaged couple we know bemused a well-spoken young lady assistant the other day by asking for their wedding gifts to be sent to Manchester.

After first asking whether Manchester was a suburb of London, she consulted a list of destinations to which the store delivered free of charge. "Is it further away than Bedford?" she said.

Democrat leaves

■ Miles Slater's imminent departure from Salomon Brothers International, mentioned in yesterday's Observer, was as close to amicable as these things can be. He did not have to walk out of the door next week. But, Slater adds, no parting is perfect.

He was offered positions in the Salomon headquarters in New York and he could have stayed in the London office. Yet once a new president was being put in on top of him, he decided to go.

His son graduates from Vassar (co-educational for the last 18 years) next week. Slater had asked him what he would like for a graduation present. He said two weeks abroad. So father and son are off to Australia and Indonesia towards the end of this month.

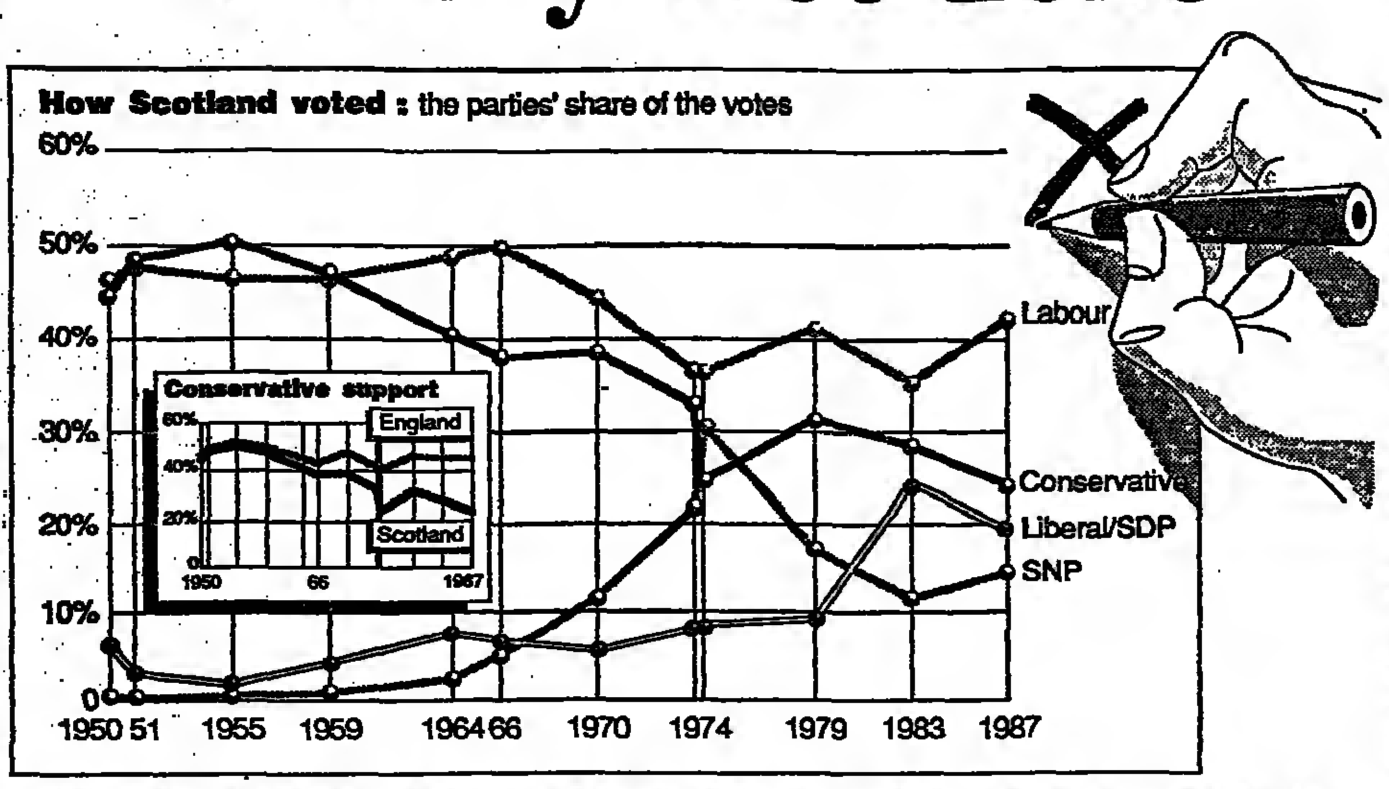
Slater senior will decide what to do next after that. It may not be directly in banking. He is interested in the World Bank and perhaps the US Treasury. Unlike most of the people one meets at Salomon, he is a registered Democrat. James L Massey, the new chief executive of the London operation, is a member of the National Finance Committee of the George Bush for President campaign.

Bond market

■ A City merchant banker reports that the person he was dealing with on the telephone concluded their negotiations with: "You have my word as a gentleman". Pause. "Or at least as a member of the Stock Exchange."

POLITICS TODAY: Joe Rogaly

A Tory-free zone



MRS MARGARET THATCHER is puzzled. The British Prime Minister cannot fathom why Thatcherism is apparently not capturing hearts and minds in Scotland. She realises that there is of course something different about the Scots, reaching beyond the fact that they live seriously far north of Watford. You do not handle their affairs as you do those of England. Your Scottish Secretary, Mr Malcolm Rifkind does all that for you. Yet Malcolm seems like a sound man. He has been applying all the correct measures in his domain. He has been saying most of the right things. And still the great majority of Scots resolutely decline to turn into Tories.

When the Prime Minister addresses the Scottish Conservative Party conference in Perth tonight this conundrum will no doubt be uppermost in her mind. The bare statistics of it are indeed daunting. As the chart shows, the Tory share of votes cast in successive general elections has declined steadily since 1955, with only the rebound from the Scottish Nationalist upsurge of the mid-1970's breaking the otherwise smooth downwards curve. Although there are straws to clutch at in last Thursday's local election results, the overall figures suggest that this curve is still in effect.

The impact on Conservative representation at local government level is such that, despite some small net gains of seats in Aberdeen and elsewhere, and a growth in the vote in Edinburgh, Scotland could be said to be well on the way to becoming what Mr Neil Kinnock, the leader of the Labour party, has called a "Tory-free zone." At Westminster, the picture is even more gloomy for the Conservatives. They are down to 10 MP's, the lowest figure since 1910. Even the Social and Liberal Democrats have nine Scottish MP's. Labour has 50.

Mrs Thatcher might find this devastation more understandable if she herself had not been Prime Minister of the United Kingdom for the past nine years. After all, her policies appear to have gone down reasonably well in England. But the Scots seem particularly perverse. Take the several pockets of affluence on both coasts. They buy their council houses, under Tory legislation which allows them to do so. They buy shares in privatised companies, just like Southerners. In spite of stiff opposition, many of them are likely to accept the offer of "parent power" in Scottish schools. Yet they still stubbornly refuse to vote Conservative.

Mr Rifkind believes that this may be due to some kind of time lag. It is hard to fathom whether the Scottish Secretary, who I gather is spoken of as a high-flyer in the Cabinet, is kidding himself. He is an excellent advocate, trained to persuade himself to make the best of his brief. His Labour counterpart, Mr Donald Dewar, leader of that 50-strong team in the Commons, asserts that it is simply insulting to assume that Scottish consciences (and therefore votes) can be bought with Thatcherite social policies. But then Mr Dewar, with a precise Scottish solicitor's mind, may also suffer from self-delusion. Most other observers in Scotland attribute the apparent cussedness of the voters to a simple dislike of English-imposed values, or a more crude antipathy to the Prime Minister's voice, manner and gender.

The anti-Thatcherism is manifest even among Scottish Tories themselves. On Wednesday afternoon the conference in Perth debated social security. Four out of the five speakers expressed concern about the meanness, or insensitivity, or apparent lack of compassion, of the Government's recent package of reforms. One, referring to the impact of the housing benefit change plus the poll tax, said that "we may not be talking about a huge number of people but there are enough of them to leave the conscience of every loyal Conservative uneasy." Another, from Provan, called the reorganisation of the housing benefit system "immoral". They were all applanded by the rather moth-eaten first-day audience.

It is hardly surprising, therefore, that a recent MORI poll for The Scotsman indicated at the beginning of March that just about 40 per cent of Scottish Tories disagreed with the Thatcherite proposition that the Scottish people are too dependent upon the state. It was perhaps predictable that in yesterday's carefully-staged debate on devolution the amount of steam that had to be let off was so considerable. The old Scottish Tories are accustomed to making some gestures towards a Scottish assembly, ranging from a super-regional council to full federalism. After all, something along that spectrum is snpported by all the other parties in Scotland. The new Tories will have none of it.

It was in fact in that devolution debate that the Thatcher-Rifkind strategy for winning back Scotland was most potently expressed. The bigger and more vociferous second-day crowd, and the small group of young people with planted posters proclaiming "Devolution No – Thatcherism Yes" told it all. As so often when the Thatcherite back is to the wall, the instinct is to come out fighting. That means that the first step is to stop being apologetic about the peculiar circumstances of Scotland – in short, to turn the debate about devolution off, in order to concentrate attention on the United Kingdom-wide debate on the creation of the enterprise society.

Mr Rifkind and his colleagues have reached this conclusion as a result of lengthy rethinking, following the extremely poor results in the General Election last year. The Scottish Secretary's analysis is partially defensive. It runs like this: Conservatives have historically been the second party in Scotland – first to the Liberals, then to Labour. Against that background, their performance in the year 1955, from which the subsequent 30-year decline is dated, was a peak. It was indeed an exceptional year.

At that time the only serious opposition was the Labour Party, which had 34 seats to the Conservatives' 36. The Liberals had one MP, and the Scottish Nationalists, with 0.3 per cent of the vote, none. Now there are four parties, which means that the Conservatives are squeezed. In 1987 they won a quarter of the votes, but only a seventh of the seats. Mr Rifkind would not complain about the disproportion. Those who live by first-past-the-post voting, as the Tories do nationally, must be prepared to die by it, as in Scotland.

More important than any of the above, in this analysis, is the Scottish culture. It rejects the Conservatives as an English party – but they claim, as Unionists, to be the oldest Scottish party. The present-day Scottish culture is, in the Thatcherite view, deeply infected by 60 years or so of increasing dependence on the state. Before that the true Scottish character was in evidence – individualist, enterprising, self-reliant (and, I might add, Liberal). Once, Glasgow was the second city of the Empire. This was not achieved by means of subsidies. Now its council is the largest landlord in Western Europe, the tenants long accustomed to low rents and dependence on the state.

This culture, this set of attitudes, must be changed. The first step is to win the party. The present conference is designed to do that. It is certainly re-shaping the Scottish Conservative party in the Thatcherite image, and its leaders are doing so with an apparently grim determination to show political confidence – even at the cost of alienating some of the remaining liberal-minded brethren among them.

The local gossip, incidentally, is that Mr Rifkind has little choice but to follow this course. At his back, it is said, is the almost unbearably young Conservative member for Stirling, Mr Michael Forsyth (born 1954). Mr Forsyth, who looks after both education and health for Mr Rifkind, has acquired the reputation of being a sort of Scottish Norman Tebbit, in constant spiritual and perhaps literal contact with No 10 Downing Street. He certainly had the Perth conference with him when he preached parent power in tha education debate.

These little personal matters aside, the key element in the Tory strategy remains the Scottish economy. Unemployment was the largest single factor in Scottish voting decisions last year, which is no doubt a consequence of the particular havoc wrought by the decline of the old traditional industries. Unemployment is now falling. There are small shoots of hope for the Scottish economy, particularly in financial services in Edinburgh and in the electronics industry elsewhere. These shoots are, in the politicians' analysis, the spearheads of the enterprise culture. Voting patterns depend upon values and aspirations, it is argued, and these may be shaped by economic forces.

On this basis Scotland could become the key battleground of British politics over the next few years. For the Labour Party must retain its stranglehold – those 50 MPs – if it is to stand even the slightest chance of becoming the Government next time around. The task of winning by gaining seats in the Midlands and the South East will be difficult enough if none of what is currently held is lost, but I should say impossible if the Thatcherite long march through Scotland proves effective.

At present Mr Dewar is bubbling with confidence. The poll tax has mede the Conservatives deeply unpopular, not least for the fact that it is being introduced in Scotland first. This resentment will last for some time. But there is a catch. The Labour Party is itself divided between those who wish to oppose the tax by legal means and those who would prefer a campaign of civil disobedience. Mr Dewar has most of his (mostly) impressive 50 Westminster MP's under control, but in Scotland the struggle is constant.

What makes it worse for Labour is that the Scottish Nationalists take an altogether more robust view of the matter, which gives added heat to the euction over which party – the Democrats or Labour – will move their devolution proposals closer to the SNP's beacon of independence. The upshot is that the four-party system could damage Labour in a few years time just as it is damaging the Conservatives now.

Here the arithmetic is vital. Labour has never before had 50 seats in Scotland – not in 1945 (when it won 37), or in 1966 (46). Falling back to one of those earlier peaks next time could, from tha national point of view, put the kibosh on Labour. Then it would be Mr Kinnock's turn to be puzzled.

Lombard

Reflections on Plaza/Louvre

By Anthony Harris

WHAT REALLY happened at the Plaza and the Louvre? Why has the international management of exchange rates, which looked so successful for a time, apparently lost its grip? And if anyone knows, are they likely to tell us?

It is customary to sneer at "instant history"; and when such a history tries to describe a string of negotiations which is still in progress, the dangers are obvious. All the same, Yoichi Funabashi's account of the Louvre and Plaza process* largely disarms this doubt. He has seen the secret documents, and talked to virtually everyone who mattered (hardly any of whom were British). The result is not only a lot of new detail, but a new perspective.

What seems clearest is that economic summitry has rather little to do with economics, and everything to do with politics. The Plaza process started with politics; Mr Baker's warnings about protectionism in Congress were sincere. His aim was not only to re-start the dollar devaluation which had stalled in the summer of 1985, but to show that he was in control, and that international co-operation was the way to produce results.

The communique spoke of co-operation; but all that was really achieved was an agreement to intervene in the markets. There was not even a shadow of the general policy co-ordination Baker sought. Indeed, the Japanese saw the intervention pact as a way to avoid a fiscal stimulus; the Germans were concerned to slow the dollar's decline for fear that the shock of a hard landing would smash the EMS.

All this was partly visible at the time; but there are a couple of real surprises. One is the hidden precision of the pact: quite narrow exchange rate targets were set, and there was a budget for intervention, neatly shared out. Thanks largely to lnck, this worked: the markets were sufficiently impressed to fall into line without much pressure.

The second surprise is the biggest: the ministers at the Plaza barely mentioned monetary policy in their talks. Yet now, in the dying days of the Reagan administration, there is little which the governments can co-ordinate apart from monetary policy.

The myth of monetary autonomy survives, all the same; only a few weeks ago the American Bankers' Association was denouncing Mr Alan Greenspan for suggesting that the exchange rate should be among the targets of monetary policy. Meanwhile tension has reappeared between the big three. The Germans and the Japanese appear alarmed because heavy intervention has swollen their money supply numbers, while the Fed has been sitting on its hands until this week partly because US monetary growth looks modest, for the same reason. Do they ever really learn?

This doubt is reinforced by Funabashi's reveletion of the exchange of political favours between Mr Baker and Mr Miyazawa, his Japanese opposite number, who managed interest rates and currencies in each other's electoral interests. The barely-concealed hostility between Washington and Bonn is also discouraging, and so is Washington's persistent bilateralism.

Since the parties cannot even begin to agree about fiscal policy, as they have quite different views about how it works, and since the agreements they do make are dangerously ambiguous, as Funabashi shows, has the whole process come to the end of its useful life? The market evidently think so. Funabashi, however, evidently shares the view of Mr David Mulford of the US Treasury that policy co-ordination is simply in its early stages, and needs stronger backing and more precision.

One of the strengths of his book is that the reader is free to draw different conclusions. It is hard to imagine the process here described delivering the right policies, or delivering them in time to be useful. It has at least made all the governments concerned more aware that they cannot make policy without considering its international implications, and informing themselves of what their trade partners are planning. If it takes regular meetings to keep that awareness alive, they are worth holding; but it seems over-idealistic to expect much more.

* *Managing the Dollar; from the Plaza to the Louvre. Institute for International Economics, 11 Dupont Circle NW, Washington DC 20036, $19.95*

Letters to the Editor

'We shall all be harmed'

From Professor Forrest Capie and Professor Geoffrey Wood.

Sir, The law on which the "equal value" judgment rests (FT report and leader, May 6) will make everyone in Britain poorer, restrict job opportunities for women, and make much more common discrimination on grounds other than suitability for the job.

One purpose of prices is to indicate when consumers want more of a good; rising prices signal to producers that more of their good is desired. When producers respond to this signal, resources are used in line with the wishes of consumers, and thus to their benefit. If prices are now to be determined by administrative decision, we shall all be harmed.

If the costs of employing certain kinds of workers are raised by administrative decision, employers will want fewer of these workers. Job opportunities will be restricted. A rise in unemployment among these supposedly protected groups can be expected.

Further: suppose an employer is prejudiced against some group – say, women. If they will work for lower wages than men, indulging this prejudice is for that reason costly. But if the employer is now forced to pay the same to members of both groups (even though they are doing different jobs) then the employer can indulge his preference at no cost to himself.

Your leader remarks that ". . .market economists say it (job evaluation) is impossible, but those on the ground seem to have little difficulty agreeing what in practice constitutes work of 'equal value'." Market economists do not say such judgment is impossible – only that it has no rational foundation.

Forrest Capia
Geoffrey E Wood,
City University Business School,
Frobisher Crescent,
Barbican Centre, EC2

Segregation helps discrimination

From Mr John Edmonds.

Sir, your confused leader on Julie Hayward's well-deserved victory in the House of Lords ("Sex, the law and economics," May 6) displays an ignorance that should shame the tabloid press.

Yon suggest two possible amendments to the law. The first is to permit non-pecuniary factors to be taken into account in equal value claims. In fact the Lords' decision may not prevent this – at least in theory.

The problem for employers is that they are unable in practice to justify the differences in employment conditions. This is because job segregation is widely used to facilitate discrimination. Women's work is undervalued precisely because it is done by women.

Yon then suggest that we might return to the ineffective "like work" law which restricted comparisons to those between women and men doing broadly similar work. Yet the equal value regulations were enacted, at the behest of the European Court, precisely to enable to compare their work with that of men in different jobs. Revoking them would place the United Kingdom in breach of its obligations under the Treaty of Rome.

Having failed to justify either of your amendments to the law, you take refuge in the shibboleth of "non-market mechanisms." Discrimination on grounds of sex (or race) is no more a market mechanism than insider dealing.

You then resort to the economic argument that social justice is incompatible with controlling inflation. Ridding the UK of the injustice of sex discrimination in employment requires an injection of "new money" into women's pay packets. This need not be inflationary. A recent GMB (General, Municipal Boilermakers and Allied Trades Union) report on sex bias in the chemical indnstry suggests that an extra £400m is needed each year to level np women's pay. Our report clearly identifies productivity growth – which has been 5 per cent per year for over a decade – as the source of this new money. So two years' productivity growth could cure the problem. It is not a question of where the money comes from, but how it is to be used.

We can agree that the legal procedures are "cumbersome and bureancratic," but they were deliberately so designed by the Conservative Government in order to discourage equal value claims. Rather than advocate impossible amendments to the law, yon would do better to advise managers to stop wasting their shareholders' money on legal fees and heed the words of Lord Goff, who hoped that the May 5 decision "may draw to the attention of employers and trade unions the absolnta need for ensuring that the pay structures for various groups of employees do not contain any element of sex discrimination."

John Edmonds,
General Secretary of the General, Municipal, Boilermakers and Allied Trades Union,
Thorne House,
Ruxley Ridge,
Claygate,
Esher, Surrey

Quagmire in the Lebanon

From Mr E.A. Reader.

Sir, May I suggest that Mr Bloch's letter of May 7 should have been headed: "Whatever Israel does, must be right"?

The total disregard of root causes should, if it were a matter for reason, make nonsense of his entire letter. Until 1982 the Shi'ite villagers of Lebanon never featured as terrorists in Israeli propaganda, for the simple reason that their main concern was to extract a living from their land. The change was wrought when they experienced Israeli "defensive measures."

By what right does Israel occupy part of Lebanon, bomb and shell Lebanese villages at will, and then brand as terrorists any Lebanese who strikes back at the occupation force and attempts to retaliate against Israel? To justify the use of overwhelming armaments against some Shi'ites because other Shi'ites have been involved in kidnapping or hijacking is no more sensible than condemning all Jews for the killing of unarmed Palestinians.

Like Mr Bloch, I too am critical of both government and opposition – I, because both have failed to call for all possible measures to curb Israel; he (presumably) because he considers that they should deem to be terrorists any who do not submit without protest to the will of Israel.

One can understand, while having no sympathy for, the frustration of those who share Mr Bloch's views, now that an Israeli onslaught on so-called "terrorists" not only fails to divert attention from the sufferings of Palestinians under occupatioo, but attracts widespread condemnation in itself.

E.A. Reader,
10 Birkdale Avenue,
Pinner, Middlesex

There are two quite different classes of corporate philanthropy

From Mr Edgar Palamountain.

Sir, Mr Michael Prowse (Lombard, May 6) does well to remind us that company directors are there to make money for their shareholders, not to give it to charity. He seems to think, however, that this position is to be justified largely on the grounds that corporate philanthropy is nndesirable because it cannot and should not supplant that of the state.

Now it is to be noted here that the charitable institutions which seek corporate philanthropy are not by any means confined to the social area normally associated with the operations of the welfare state. They include, for instance, orchestras, opera companies, art galleries, research institutes and specialised education initiatives of various kinds. Many of these would not expect to be funded by the state in whole or even in part, and some of them would actually refuse to be so funded.

Every charitable body, however, welcomes support from individuals, and it is hard to see why companies should not give similar support - provided always that this is fully and explicitly approved by their shareholders.

There are in fact two essentially different classes of corporate philanthropy. The first is the support of activities immediately relevant to the company's operations, such as donations to local good causes calculated to enhance goodwill or facilitate recruitment.

The second class covers those wider areas where no such specific justification is appropriate and where the approval of shareholders is patently called for. It is for such purposes that enlightened companies have established charitable foundations separate from the company itself and directed by independent trustees.

Such organisations, commonplace in the US, are in the UK neither numerous nor well-endowed. All of them are constantly obliged to reject large numbers of meritorious appeals or give little more than token support. It is by the increase and growth of these charitable foundations rather than through the wasteful and politically sensitive disbursement of public funds that the charitable processes of society will be best advanced.

Edgar Palamountain.
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FINANCIAL TIMES

Friday May 13 1988

Leslie Colitt in Budapest on growing demands for Communist political liberalisation

Hungarians challenge party system

LESS THAN a week before an extraordinary Communist Party conference in Budapest, the Hungarian leadership under Mr Janos Kadar is being pressed by impatient Hungarians insida and outside tbe party to liberalise the monolithic political system.

Independent citizens' associations, unthinkable only a few years ago, bave sprung up to challenge the party's monopoly of political life. A revolt bas taken place within the Communist Party itself, led by tbe key Budapest party committee, which is demanding more meaningful political reforms than the leadership has to offer.

Compounding its problems, tbe party is struggling with a rebellion in its own ranks. The Budapest party committee receotly rejected tbe party leadersbip's draft document for presentation to the May 20 conference.

Mr Kadar was directly criticised by Budapest party officials, wbo demanded that those leaders responsible for Hungary's present economic crisis sbould be removed from office. The outspoken Prime Minister, Mr Karoly Grosz, wbo is a leading contender to succeed 76 year old Mr Kadar as the party's general secretary, said rank and file party members at seven recent meetings be had attended called for Mr Kadar to step down.

However, a senior central committee official predicted that Mr Kadar would cling to his post until the party congress in 1990. He would be aided by the fact that the nation's precarious economic situation entailed a "high risk" if any of his rivals were to take over now.

The latest rival of state authority, the Federation of Young Democrats (Fidesz), bas challenged the unpopular communist youtb organisation Kisz and


Karoly Grosz (left), leading contender to succeed Janos Kadar as party leader

caosed consternation among senior party officials. Fidesz was founded little more than a month ago by 37 law students of Budapest's Lorand Eotvos University and has more than 1,000 members.

Most are students wbo, in common witb many Hungarian intellectuals, reject the party's leading role in society.

Mr Gabor Fodor, a co-founder of Fidesz, freely admitted that it was conceived as an alternative to Kisz. A few years ago, be said, an alternative youth movement would have been impossible as the "fear was too great" among young people. Politicians and the official media bad spoken of the need for political reforms so often that a growing number of Hungarians now took them literally. But, be said, as soon as citizens took reforms into tbeir own hands the party disapproved.

The police warned five organisers of Fidesz in early April to cease their illegal activities.

In mid-April the public prosecutor's office told them to stop organising students or face criminal charges for "anti-state" activities. But the young people felt confident of their position. Hungary's legal statutes said little about political associations such as tbeirs, because they were never envisaged by the party. For this reason a law regulating associations is being hastily drafted by the Government and is to be presented to parliament later this year.

Mr Grosz said last week that independent organisations would be tolerated "within the limits of the law." But if the law banned their activities, he suggested in an interview, then the Government would "have to act."

He was supported in this view by his chief rival for the leadership of the Hungarian party, Mr Janos Berecz, the party's ideology chief, who said Hungary could not afford another national political youth organisation.

Accordingly, the authorities recently stepped up their pressure on Fidesz by raiding rooms wbere dalegates of the youth organisation were staying during an official student parliament in the city of Veszprem.

Tha independent youth movement gained a stunning moral victory in Veszprem when delegates representing 67,000 Hungarian students voted in favour of a Fidesz resolution which spoke of the need for independent political yonth groups.

Another challenge to the party, this time to its most reform-minded institution, the People'a Patriotic Front, was mounted while the leadership was busy celebrating May Day. At a founding meeting in Budapest, the Network of Free Initiatives, an umbrella organisation for autonomous groups, elected a 50-member governing council

In a further assault on the pillars of party authority, former mambers of the official Public Employees Union (KSZ) said they would set up Hungary's first independent trade union in time for the party conference on May 20.

The planned trade union for academic and scientific researchers has predictably been rejected by tha alarmed leadership of the official trade union federation SZOT, which is being deserted by dissatisfied members.

The worst nightmare for the party leadership involves ordinary Hnngarians who have remained apolitical in spite of the revolt among Hungary's intellectuals, in the face of worsening inflation, steadily sinking real incomes and growing social hardship, it is feared they could be politicised

Centre-right gets no top posts under Rocard

Continued from Page 1

of social democracy, represented by Mr Fablus.

Praradoxically, Mr Rocard is believed to favour the appointment of Mr Mauroy, even though he personally espouses similar views to those of Mr Fablus; but Mr Rocard and Mr Fablus are natural rivals for the future race for the presideocy.

Mr Maurice Faure, the veteran leader of the Radical Party and a long-standing friend of Mr Mitterrand, was also made a Minister of State, in charge of Public Works and Housing.

Mr Roland Dumas has returned to the Foreign Ministry, also as a Minister of State, while Mr Jean-Pierre Chevenement, the former socialist Education Minister and one-time leader of tbe party's left-wing CERES faction, has become Defence Minister.

Mr Pierre Joxe, ooe of the party's left-wing figures, returns to the Interior Ministry, a position which is likely to be particularly delicate in the aftermath of a presidential campaign which focussed on immigration and law-and-order issues.

Mr Olivier Stirn, a one-time centrist politician and a former minister under President Valery Giscard d'Estaing, recently switched alliances to the Socialist Party, and has been appointed to the Ministry for the French Overseas Territories. This was a position he held from 1974-78, and it too will be a particularly delicate responsibtlity after the recent tension in New Caledonia.

Mr Michel Durafour, another former minister under Mr Giscard d'Estaing, was appointed minister in charge of public administration. He is one of the four centrist politictans who declared his support for Mr Mitterrand after the first round of voting on April 24, when the centrist candidate, Mr Raymond Barre, had been eliminated.

Mr Pierre Arpaillange, a highly respected magistrate who has worked wtth several ministers of General de Gaulle, was appointed to the Justice Ministry. Madame Edith Cresson, the former Socialist Industry Minister, has been appointed junior minister for European affairs.

Both Mr Jack Lang and Mr Henri Nallet have been re-aoppointed to their former ministries of Culture and Agriculture

Mexico promises to break up state monopoly of telecoms

BY DAVID GARDNER IN MEXICO CITY

MR ČARLOS Salinas de Gortari, the candidate of tbe long-ruling Institutional Revolutionary Party (PRI) to succeed Mr Miguel de la Madrid as Mexico's President in elections this July, has pledged to privatise Telefonos de Mexico (Telmex), the state telecommunications mooopoly.

The pledge weot almost unnoticed wben made at a private dinner for Mexican and foreign businessmen on April 17, but has now been confirmed by senior finance officials. It is the PRI's most radical proposal to reduce state participation in the economy.

Governmeut officials and Mexican bankers say that a decentralisation of Telmex is likely to precede divestiture, whicb could take place before Mr Salinas takes office in December, assuming, as everyone does, that he is elected in July.

The company would either be broken up into four or five regional units, following the procedure adopted with AT&T, the US telecommunications giant, or its management would be reorganised into regions.

The first option would appear more attractive for investors, including, it is assumed, foreign investors who could provide much-needed capital for modernising Telmex'a technology.

Telmex is a majority state-owned and publicly quoted company which raises some finance through the equity market and by obliging new telephone subscribers to buy blocks of shares. If the privatisation plan goes ahead, the Government would be expected to retain a strategic stake in the company.

Throwing telecommunications open to foreign investment would follow in the steps of Argentina and Chile, which have recently sold 40 and 30 per cent, respectively, of their national telephone companies to foreign interests.

Mexico has an entrenched tradition of state dominance of strategic areas of the economy – oil, key minerals, power, communications, steel, and, since 1982, banking – whicb is enshrined in article 27 of its constitution.

Privatisation has thus become a leading issue in an election where the regime is facing its most severe challenge since 1940, from PRI dissident Mr Cuauhtemoc Cardenas, son of President Lazaro Cardenas, who nationalised the oil industry in 1938.

This debate, marked by a regime-orchestrated harrage against what it describes as Mr Cardenas' "neo-populist" attempt to increase state penetration of a closed Mexican economy, takes place as the de la Madrid Government is accelerating its divestiture plans.

Last month it sold the Cananea copper mining company to a private construction group, and it is now in the middle of a restructuring of the two national airlines, wholly owned Aeromexico and majority owned Mexicana de Aviacion.

Aeromexico is being dismembered after being declared bankrupt last month, part of a strategy aimed at breaking the powerful airline unions, which had managed to maintain staffing at nearly five times international levels.

Thatcher refuses to back Lawson policy

Continued from Page 1

Marcb left the authorities with two options: lower interest rates to take tbe pressure off the pound, or a rising currency.

The subsequent rise in the value of aterling amounted to a tigbtening of monetary policy and so served the aim of bearing down on inflation. Tbe firmer exchange rate would "exert a cumulatively pervasive restraining influeoce on wage settlements and profit margins, as well as on many import prices."

The Bank said experience showed that a firm exchange rate could provide an effective counter-inflationary discipline in an open economy like the UK, which remained more susceptible to inflationary tendencies than many other economies.

The authorities have been prevented from engineering their preferred monetary policy mix because of the different views investors hold of the UK and its prospects. Sterling is currently trading at above DM3.16 because foreign investors find investing in the UK more attractive relative to other countries.

Unlike domestic investors, who concentrate on indicators such as monetary growth, wage settlements and indicators of the pace of domestic demand, the foreign investor seems to be more concerned with returns in the UK relative to other markets and with issues of political stability and the Government's healthy finances.

Indian commandos prepare attack plan

Continued from Page 1

rity guards.

The Government does not want to stir up similar resentment amoog moderate Sikbs witb a repeat invasion. in particular, it does oot want to upset villagers in the Punjab and so stop a flow of information to tbe police whicb has led to a record 30 terrorists being killed already this montb.

Having been flushed out of the temple in 1984, the new generation of extremists has gradually regained control of the shrine over the past two years.

Fear of upsetting Sikhs, who revere the shrine, has prevented the Government from launching more than a couple of limited police operations a year or so ago.

The prize for the Government, now the temple is cleared of pilgrims, is to clear the extremists out, take down tbe Khalistan flags, and capture or kill the 10 top terrorist leaders they believe are inside.

But the cost of that prize might be considered too great if – as the extremists bope – it alienated the villagers and other Sikhs

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
[illegible]	C	[illegible]	[illegible]	Dubrovnik	S	[illegible]	[illegible]	Malta	S	[illegible]	[illegible]	Rhodes	S	23	73
Algiers	F	[illegible]	[illegible]	Edinburgh	C	10	50	Manchester	R	13	55	Rio de Jo	-	-	-
Amsterdam	S	[illegible]	70	Faro	F	18	64	Manila	C	37	99	Rome	F	22	72
Athens	F	[illegible]	[illegible]	Florence	D	20	68	Melbourne	S	16	61	Salzburg	S	22	72
Bahrain	S	[illegible]	[illegible]	Frankfurt	S	[illegible]	72	Mexico City	F	31	88	San Francisco	F	12	54
[illegible]	F	[illegible]	91	Funchal	F	19	66	Miami	S	23	73	Seoul	S	21	70
Barcelona	C	[illegible]	[illegible]	Geneva	F	17	63	Milan	C	14	57	Singapore	F	32	90
Beirut	F	[illegible]	[illegible]	Gibraltar	F	19	66	Montreal	S	8	46	Stockholm	S	19	66
Belfast	F	14	[illegible]	Glasgow	C	12	54	Moscow	S	14	57	Strasbourg	S	20	68
Belgrade	F	[illegible]	63	Guernsey	C	11	52	Munich	S	20	68	Sydney	S	19	66
Berlin	F	[illegible]	[illegible]	[illegible]	S	21	70	Nairobi	C	22	72	Taipei	C	27	[illegible]
[illegible]	F	[illegible]	[illegible]	Hong Kong	C	28	82	Naples	F	21	70	Tangier	C	19	66
[illegible]	S	[illegible]	90	[illegible]	S	22	72	Nassau	F	28	82	Tel Aviv	S	27	81
[illegible]	C	[illegible]	66	Inverness	S	17	63	New Delhi	S	41	105	Tenerife	F	21	70
Brussels	S	[illegible]	66	[illegible]	F	41	106	New York	S	13	55	Tokyo	C	19	64
Budapest	S	19	[illegible]	[illegible]	C	19	[illegible]	Nice	C	20	68	Toronto	C	9	48
[illegible]	S	15	[illegible]	[illegible]	C	32	[illegible]	Nicosia	F	30	86	Tunis	F	27	81
Cairo	F	[illegible]	[illegible]	[illegible]	C	15	[illegible]	Oslo	R	11	52	Valencia	F	20	68
Cape Town	S	[illegible]	[illegible]	[illegible]	S	14	[illegible]	Paris	S	19	66	Venice	R	19	66
[illegible]	C	[illegible]	[illegible]	[illegible]	F	24	[illegible]	Perth	C	15	59	Vienna	S	18	64
Casablanca	F	[illegible]	[illegible]	[illegible]	F	17	63	Peking	S	25	77	Warsaw	F	19	66
[illegible]	C	13	55	London	C	19	[illegible]	Prague	S	20	68	Washington	S	14	57
[illegible]	S	[illegible]	[illegible]	Los Angeles	C	33	[illegible]	Reykjavik	S	9	48	Zurich	S	19	66
Copenhagen	S	18	64	Luxembourg	C	16	61								
[illegible]	S	[illegible]	[illegible]	Madrid	[illegible]	13	[illegible]								
[illegible]				Majorca	F	20	68								
[illegible]	F	14	57	Malaga	F	19	66								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Way clear for INF

Continued from Page 1

cbev instructed negotiators to prepare at their Washington meeting in December.

Mr Sbnltz said tbat a little progress had been made in his two daya of talks bere with Mr Shevardnadze and arrangements would have to be made at the summit to "energise" the negotiations.

More movement appears to have been made on negotiating mandates for talks in Vienna on reductions in conventional armed forces in Europe.

Mr Shevardnadze said positions had become closer. He was flying directly to Berlin to consult with the Soviet Union'a Warsaw Pact allies.

On southern Africa, which will be on the summit agenda, it was agreed that the US and Soviet experts oo the area will meet to take stock of developments before May 29.

Mr Reagan and Mr Gorbachev are likely to sign a verification protocol that would bring into effect the 1976 peaceful nuclear explosions treaty, which sets a limit on non-weapon explosions.

Kim Philby: a British traitor protected by his class

By Malcolm Rutherford in London

KIM PHILBY, Britain's most famous traitor, was always at ease with the media. When, a few weeks before his death on Wednesday, he gave a series of interviewa to the Sunday Times of Britain, it was a reasonabla assumption that he was up to something. Was it going to be one last revelation to tease the country that allowed him ao freely to operate against it?

In fact, Philby, who had reached the highest ecbelons of British Intelligence and whose information is said to have resulted in the deaths of bundreds of Britisb agents, revealed almost nothing new. It is tempting to think now that he was simply taking an opportunity he knew might never arise again. It was a final round of publicity before he died.

Shortly before the interviews were publisbed, a high-level Russian, wbo must have known about them, told me in Budapest that wbat Moscow had never understood was why Britain bad taken Philby'a defection – in 1963 – so lightly.

He meant not so much the defection itself, brit rather that for years tbe antborities had allowed him to get on with his spying witbout any proper investigation into his activities and that, when be fled, there was no real witch-hunt into how he had got away with it.

Philby, he said, had provided information that Moscow had never expected to know, and yet the British appeared to shrug it off. It could never have happened in the Soviet Union. The Russian spoke almost with admiration of tbe British approach, but also pity.

And that really was what the Philby case was all about. It is not that he did what he did, but the way he was able to do it for so long that stands out.

The spying we know about, or most of it. For 26 years it was not just espionage; it was responsibility for murder, culminating in the deaths of many Albanian exiles returning bome in the late 1940s only to be discovered and executed. Yet what matters is that he was active for so long.

Philby was recruited by the Soviet Union in 1933 while a Cambridge undergraduate. He had been to a top public school – Westminster – and this thoroughly establishment education deflected suspicions and accusations througbout the 1950s.

In a curious way he became a legend: the stuff from which that spy stories are made.

All sorts of excuses have been made for him. He was at Westminster and Cambridge during the worst years of the inter-war depression. Not much was then known abont tbe worst excesses of Stalinism.

Rather more was known about the reluctance of the British establishmeot to stand up to fascism in Spain and Nazism in Germany. In those circumstancea, it was said to be understandable that a young man should turn to the left and only a bit *outré* that he should allow himself to be recruited as a Soviet agent.

Yet the excuses are flimsy. Thousands of other Cambridge undergraduates flirted with the left and many joined the Communist Party. Only a few, bowever, turned to betrayal.

Philby will probably turn out to have been *sui generis* a man who knew all along what he was doing, did it regardless and, at the end, seemed to be proud of it.

The society that protected him also has something to answer for. It was a society that almost always gave him the benefit of the doubt.

That cannot have been entirely due to his cleverness. Even at the end, when his involvement with Moscow seems to have been clear beyond doubt, he appears to have been given a tip-off to escape. That is the mark of an indulgent, self-protective gronp incapable of believing that one of its own could do so mucb wrong, and did not want its behavionr scrutinised too closely.

That there was relatively little fuss about how he had been protected is a sign that such a class survived the war.

In tbe Soviet Union, he was welcomed as a bero. Tass, tba Soviet newsagancy, yesterday described him as a "outstanding Soviet intelligence agent." With tbree colleagues and Cambridge contemporaries, Donald Maclean, Guy Burgess and Anthony Blunt, he gava many of Britain's most precious secrets to Moscow.

Soviet reaction: Page 2

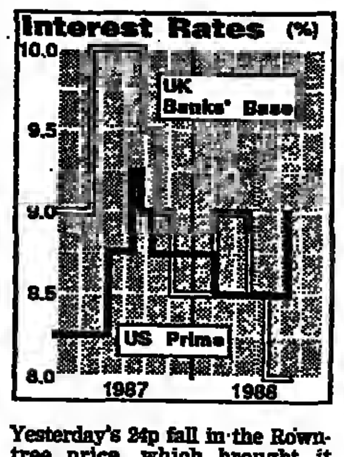
THE LEX COLUMN

Home truths from the Bank

While an astrologer is probably best placed to interpret whether yesterday's remarks abont UK exchange rate policy indicated any change in the balance of power between the Prime Minister and her much-quoted Chancellor of the Exchequer, the Bank of England'a latest quarterly bulletin is refreshingly frank about the Government'a current policy dilemma. The combination of a stronger currency and lower interest rates does not represent an ideal response to current concerns, and a differant balance would be desirable if it could be achievad. Unlike many of the Bank's earlier pronouncements, the message does not need any decoding this time, and the only snag is that the Bank has no obvious solutions to offer.

Logic dictates that UK interest rates should be higher than they are now, and the same is probably true on a worldwide basis – which explains why global bond markets have been performing so miserably over tbe last few weeks. For the first time in three years US prime rates are now a full 100 basis points higher than UK base rates, and judging by the steepness of the yield curve, UK banks could easily justify a half point rise.

However, aterling's continued strong performance yesterday, in the aftermath of the US prime rate increases, is a painful reminder that the UK authorities are going to find it difficult to engineer an increase in domestic interest rates in the absence of some external help. However, this is not beyond the bounds of possibility; if, for example, the forthcoming US trade figures are good, the dollar could start to deflect some of the upward pressure on the pound, and any rise in the US discount rate would also help. But at the moment, this is no more than wishful thinking.



Rowntree

As Rowntree's share price collapsed yesterday, the market seems to have been unaware of tha proposals which Suchard hadfailed to put to Rowntree the day before. The ideas seem to have been too complex to have much of a future, but they clearly demonstrate that Suchard is still out to give Nestle a contest. They also suggest that Suchard is not keen to get involved in an outright hidding war against a rival with such deep pockets.

The market'a reaction to all that is going to be intriguing.

Yesterday's 24p fall in the Rowntree price, which brought it below Nestle's offer for the first time, was only partly due to remarks from Sir Geoffrey Howe. More important was the fact that Nestle had stopped buying, presumably as a means of putting the frighteners on the market by showing it Rowntree'a unsupported level under threat of a reference.

There is an element of calculated risk here; if Suchard should make an outright counterbid, or should the Government suddenly announce that there will be no reference, Rowntree's price would doubtless jump beyond the level at which Nestle can buy in the market. On the other hand, stopping short of 50 per cent for the two Swiss companies combined may reduce the risk of the Government being rushed into defensive measures. There is some suggestion that Rowntree'a lobbying is improving after a shaky start, and Nestle needs to tread softly.

BP

Both BP and Shell present so many different measures of quarterly performance that it is hard to know whether either company is going backwards or forwards, let alone how each is doing relative to the other. As each company treats its stock losses differently, it would be downright misleading to judge BP's 43 per cent fall in historic cost profits in the first quarter against the 18 per cent advance from Shell announced on Wednesday.

Nevertheless, BP's performance was still the weaker of the two, although arguably through no fault of its own. Its refining and marketing is concentrated in Europe, where margins have been so low that its refineries there seem to have made almost no money at all, whereas Shell's better geographical spread meant it actually increased downstream profits. Like Shell, BP did well to increase its current cost profits overall in a period when sterling oil prices were 25 per cent lower. Yet the reason – freakishly high chemicals and minerals profits – is not altogether reassuring, as those profits will dip again when an unexpectedly rapid stockbuild comes to an end.

As usual, the comparative rating of the two companies looks beyond tbeir relative performance. While these results suggest that Shell still deserves its traditional premium, the present gap probably owes more to the – somewhat unlikely – prospect of the Kuwaiti stake searching for a new home, under the orders of the Monopolies Commission.

Royal Insurance

Given the market's already unenthusiastic view of the prospects for UK composite insurers, Royal could not afford to disappoint – and it certainly could not afford to report first quarter profits 20 per cent below already diminished expectations. Recent results from domestic US insurers had prepared the ground for a poor American showing, hut a two-thirds decline in US pre-tax profits was simply more than investors could take: they registered their disapproval hy docking 23p from the share price to leave it at 399p. Even Royal's strong UK performance was marred by £10m in leftover hurricane claims and £5m in restructuring costs.

Indeed, the sight of Commercial Union and Royal reporting snch good underlying growth from the UK on two successive days may be of more than average intereat to Continental groups which are already trawling for 1992. The UK insurers are widely believed to have a head start in terms of competing in a liberalised market, and some of the more cosseted European groups may wish to buy in competitive talent from Britain.

Royal makes no secret of its own desire to increase its Continental exposure with the same hallowed date in mind. France's Groupe Victoire seems a very sensible target for this ambition – a merged Royal/Victoire group would probahly be second or third largest in Europe – but the French group's contorted shareholding structure is only one of many impediments to a quick deal.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday May 13 1988

Hewlett-Packard in data network link with Nortel

BY LOUISE KEHOE IN SAN FRANCISCO

HEWLETT-PACKARD of the US and Northern Telecom (Nortel) of Canada have formed a joint development and marketing organisation to target the market for company-wide data and voice computer network systems.

The companies described the market as "a billion-dollar opportunity over the next five years." Nortel is a leading supplier of telecommunications equipment, while HP is a major vendor of office computer systems.

The move is seen as a direct challenge to IBM, which through its acquisition of Rolm, a telecommunications equipment manufacturer, has developed a strong leadership position in the market for combined voice and data networks.

Other major suppliers of computer networks, such as Digital Equipment, lack the telecommunications expertise to combine voice and data communications, HP executives said, while AT&T, the leading telecommunications supplier, lacks strength in computer networks.

The two companies will jointly fund and staff an organisation to be known as Corporate Networks Operation to pool the two companies' expertise in distribnted computing, telecommunications and networking.

CNO will serve as a single source for large corporate customers building networks based on equipment from HP, Northern Telecom and third-party vendors.

The companies will each make a "multi-million dollar investment" in the venture, and expect that over the five years of its duration it will produce extra revenues of $1bn.

HP said the combined staff would initially be 30 and would be expected to grow. Company officials said, however, that both parties see this agreement as a significant commitment and will make equal contributions.

The joint venture will focus on corporate network systems that are based on "open" industry standards, rather than proprietary systems.

Nortel said the companies share a common vision of multivendor corporate networks, and standards-based networking and computing systems.

The joint venture will result in co-operative efforts in computer-aided telephony and ISDN or Integrated Services Digital Network applications. ISDN is an international standard for multi-use networks.

In addition, the companies announced plans to integrate their network management systems, including HP's recently announced Open View Windows system and Northern Telecom's Meridian Data Networking System, which is currently in prototype testing.

Open View Windows is the subject of a major copyright infringement suit filed against HP by Apple Computer.

Deborah Hargreaves in Chicago on USG's efforts to fend off unfriendly advances

Sending the Texan raiders back to the desert

ANOTHER FRONT in the running battle for control of USG, the Chicago-based building products company, was opened on Wednesday at the company's annual meeting with a challenge by a keen representative of Desert Partners, the Texan raiders.

Mr Joel Reed, president of Desert Acquisition, a unit set up by two Texas oilmen, Mr Cyril Wagner and Mr Jeck Brown to acquire USG, faced a generally hostile gathering of long-time USG shareholders – many of whom are retired employees of the gypsum and wall-board company, as he proposed Desert Partners' nominees to the USG board.

The meeting was interrupted with loud applause for shareholders who spoke out against the raiders. "Send Desert Partners back to the desert," one shareholder said amid cheers from the retirees.

In spite of being nominated by Mr Reed to positions on the company's board, Mr Wagner and Mr Brown themselves remained in Texas. "They are very private people," Mr Reed explained afterwards. "They seldom make public appearances."

Mr Wagner and Mr Brown have not been shy in their pursuit of USG, however, which they have been trying to take over since October.

The limited partnership, which owns about 10 per cent of USG's shares, has made a $42-a-share tender offer that expires on Friday, putting a value of $1.64bn on the company. In addition, the group has made two further merger proposals at a higher value, but which contain highly leveraged junk bond components.

In response, USG has been mustering its defences, fighting the bid in the courts and with a recapitalisation plan that the company eays is worth more than Desert Partners' proposals.

The proxy contest for six seats on the USG board should give an indication of the extent of shareholder support for the recapitalisation, which is due to be put to a vote on June 24.

The company was claiming victory in the proxy contest after Wednesday's meeting – the result of the voting is due to be announced on May 20 – but Mr Reed, claiming Desert Partners had substantial support, cautioned against believing the USG prediction.

"We are determined to acquire USG," he said. "The whole issue is about whether shareholders have a right to see management negotiate value for them."

Mr Reed insisted that Desert Partners is not looking for a pay-off or "greenmail" for its shares: "You do not spend eight mooths and tens of millions of dollars in expenses just to drive up the stock price," he said.

Management has contended that USG is not for sale and says the partnership's bid is not worthy of consideration. All other proposals – at a higher value than $42 a share – are just "airballs," according to Mr Eugene Miller, the company's vice chairman. USG's stock is currently trading at $44 to $46 on the open market.

In order to defend USG from the raiders, Mr Robert Day, chairman and chief executive, is having to load the company with debt that be would rather not take on.

The recapitalisation, which involves payment of $37 in cash for each share with $5 in 16 per cent junior subordinated debentures and one share in the recapitalised company, requires some $2.2bn in funds. Most of the funds will be raised by bank financing with $550m in subordinated debt.

FIVE-YEAR RECORD

	Sales ($bn)	Net income ($m)	Capital spending ($m)	Leverage* (%)
1983	1.42	80.3	58.9	14.8
1984	2.11	186.5	118.5	30.4
1985	2.33	223.8	152.9	17.8
1986	2.72	225.5	195	97.7
1987	2.89	204.3	179.7	122.3

* Long-term debt as percentage of shareholders' equity

USG expects to repay some of this debt through the sale of its Masonite wood fibres division – a business it acquired in 1984 – and Kinkead, a unit of USG Industries that makes shower and bath tub enclosures.

Mr Day said: "We will have to devote a lot of our energy to paying down debt,and sell several key investments that we do not want to sell." Masonite has been estimated by analysts as being worth about $600m-$700m and the company said it had received inquiries from several interested buyers.

USG had already initiated a restructuring programme in early 1987 as part of its three-year strategic plan to concentrate on four core building products businesses.

Mr Day said that this involved management buying back abont 20 per cent of the company's stock as well as introducing an early retirement plan and reducing salaried staff to save about $23m a year.

In addition, the company sold off seven under-performing businesses, like the industrial metal division that did not fit into its plan. And early this year, USG spun off A.P.Greeo Industries, a refractories company, as a separate pnblic company.

The company's restructuring increased its level of debt to about $750m in 1987, or 122 per cent of equity, from an extremely low historical level which seldom rose above 30 per cent before 1986.

But the proposed recapitalisation will substantially increase leverage just as USG's market enters a down-cycle.

Mr Paul Klenaitis at Duff and Phelps, a Cbicago investment firm, said: "Debt wouldn't be as great a concern if we were talking about a steady business. The construction business is very cyclical."

USG's first-quarter earnings reflect the cyclical nature of its business with income falling 53 per cent to $39.8m or 77 cents a share, from $84.9m or $1.65 in the same quarter of 1987. Sales rose 3 per cent to $715.2m from $693.2m.

Sale prices for gypsum wallboard – the company's major product – fell 13 per cent in January and February this year according to Mr Day. However, shipments increased in March to a record monthly level for the company.

Mr Day also pointed out that 1987 first-quarter earnings were boosted by a $30m unusual gain from the sale of some stock in its Canadian subsidiary.

Mr Kenaitis said that, nevertheless, 1988 would see housing starts decline to 1.45m-1.5m units from a level of 1.62m units last year. He sees this decline continuing into 1990.

He said this would put pressure on USG's sales of building products although this very regional market, tbe company was doing well to have much of its market share in the stronger north-east.

USG has further made a strong push into the repair and remodelling (akin to DIY) market, which is less cyclical in nature and currently stronger than new construction. This market, which represented a quarter of USG's 1987 sales, is greater in dollar volume than the new construction market.

Much of the company's future growth is, however, focused on USG Interiors, a division established in 1986 to make and sell interior decoration packages to commercial customers.

This division has so far concentrated on selling cubicles and office dividers as well as USG's more traditional wallboard and ceiling tiles.

The company has planned to expand down this route into interior design, although its plan to acquire new businesses could be hampered by its new debt burden if the recapitalisation plan, which will slash its capital spending budget by $100m a year, goes ahead.

BTR Nylex to dispose of ACI unit

BTR Nylex, the quoted Australian offshoot of BTR of the UK, is to sell the coal division of its recently acquired unit, ACI International, to Atlantic Richfield's Arco Coal Australia subsidiary, effective June 30.

The company said the disposal was in line with BTR Nylex's stated objective of concentrating investments in traditional markets around the Pacific rim. No price was disclosed, but BTR Nylex officials expect the division to fetch some A$170m (US$137m) to A$180m.

Allis-Chalmers reduces loss

ALLIS-CHALMERS, the US air filtration and materials handling equipment group operating under Chapter 11 of the US Bankruptcy Code, reports a $9.7m first-quarter operating loss against $11.4m in 1987.

A gain of $1.7m from discontinued operations reduced the 1987 final loss to $9.73m. Sales slipped to $92.8m from $94.6m.

Travelers to sell Canadian units

TRAVELERS, the US insurance group, has agreed to offer for sale Travcan, its Canadian subsidiary, and Travcan's insurance units Travelers Life Insurance of Canada and Travelers Indemnity of Canada.

The Hartford-based group said it would concentrate on the US domestic insurance market and redeploy the capital resulting from the sale.In 1987, the Canadian unit had total premiums written of C$339.2m and had assets of more than C$840m.

Freeport McMoRan in Indonesia sale

BY KENNETH GOODING IN LONDON

FREEPORT MCMORAN, the New Orleans-based natural resources group, has sold part of its shareholding in Freeport Indonesia (FI), one of the world's lowest-cost copper producers, at a price which values FI at about $470m.

The deal involved the parent group floating on the New York Stock Exchange its wholly owned subsidiary Freeport McMoRan Copper, which in turn owns 85 per cent of FI.

Underwriters led by Kidder Peabody have sold 5m Freeport Copper shares at $17.50 each. Of the total, 3.75m shares were sold in the US.

The sale is in line with the parent group's policy of floating off substantial chunks of its subsidiaries to make their true value more apparent.

FI is by far the largest operation owned by Freeport McMoRan outside the US. The Indonesian Government owns 9 per cent and Norddeutsche Affinerie 3.7 per cent.

FI is mining in the Carstenz Mountain range in Irian Jaya, the easternmost state of Indonesia. Last year it produced 225m lbs of copper (211.2m in 1986); 92,000 troy ounces of gold (85,000 ounces); and 1.344m troy ounces of silver (1.207m).

In its 14 years of operation FI has registered a profit in all but one year (1977), a record matched by only a handful of copper producers.

Last year its net income was $43.379m ($16.7m in 1986) or $2.3 a share ($0.78) on revenues of $190m ($151m).

FI recently announced an $80m, three-year expansion programme to lift ore output by 4,000 tonnes a day to 20,000 tonnes or from 104,000 tonnes a year to 136,000 tonnes. The investment is designed to enable FI to continue to cut break-even costs, down 6 per cent last year to 50 cents per lb of copper produced.

Freeport Copper will use the net proceeds of the flotation to repay debt incurred to pay a $47.6m dividend to its parent.

Consob seeks details of De Benedetti share plan

BY ALAN FRIEDMAN IN MILAN

CIR, Mr Carlo De Benedetti's master holding company, plans to incorporate the cash-rich qnoted company shells left behind following the sale to Nestlé of Switzerland of the assets of the Buitoni foods group.

The remaining Buitoni and Perugina shares are to be merged with CIR, which would bring liquidity of L1,315bn ($1.05bn) to the holding vehicle.

Yesterday, however, the Consob regulatory authority delayed the start of trading in De Benedetti group shares and demanded clarifications about the terms of the deal under which Buitoni shareholders are to be offered CIR stock in exchange.

When trading finally got under way, Bultoni's price fell by 6.65 per cent to L8,410 and CIR stock was down by 3.27 per cent at L5,460.

CIR described the Consob demand as "a mistake".

Gerber's earnings rise $2.8m

BY OUR FINANCIAL STAFF

GERBER PRODUCTS, the world's largest producer of baby foods, yesterday reported a rise in fourth-quarter operating earnings from $12.4m or 63 cents a share to $15.2m or 77 cents.

However, a charge of $18.5m to cover expected losses on a package of disposals produced a net loss of $3.3m in the latest quarter. Sales rose from $233.7m to $258.9m.

Mr David Johnson, chairman and president, said operating results "understate the true strength of the quarter."

The company said its baby food brands ended fiscal 1988 with a market share of more than 70 per cent, the highest since 1982.

The increase was helped by volume increases resulting from higher birth rates and expanded distribution of new products.

For the year, the company reported net earnings from continuing operations of $52.6m or $2.66 a share, against $34.5m or $1.72. Sales jumped from $808.5m to $942.6m.

Davis considers rival bid

MARVIN DAVIS, the US entrepreneur, is contemplating making a $15-a-share cash offer for Lorimar-Telepictures, the Hollywood studio which earlier this week agreed to a $610m takeover by Warner Communications, worth about $13¼ a share, writes Our Financial Staff.

Lorimar-Telepictures said yesterday it had received a letter from a Davis company requesting certain information "in contemplation" of making the bid.The letter said the information would be subject to proposed confidentiality and standstill arrangements.

Nynex growth 'on track'

NYNEX, the telecommunications concern, expects 1988 earnings to exceed last year's net income of $1.3bn, or $6.26 a share.

Mr Delbert C. Staley, chairman and chief executive, said Nynex was still "on track" with profit-growth projections that were made before the stock market plunge last October.

He declined to predict the extent of this year's profit increase.

The company plans to introduce several new services including automaticmeter reading for ntilities, voice mail and message storage.

Bank of England concern on gold loans

BY OUR MINING CORRESPONDENT

THE BANK of England is having misgivings about the recent upsurge in gold loans, with which mining companies raise finance on the basis of future gold production, Mr Robin Leigh-Pemberton, the Governor, said last night.

The apparent returns on gold loans had led to the involvement of banks and other intermediaries, often as part of large consortia, with little or no understanding of, or pravious involvement in, the bullion market, he said.

Since the collapse in equity prices last October, bullion loans have become increasingly popular with gold mining companies as a method of raising development cash.

The system involves a miner borrowing gold from a bank or banks, selling it for immediate cash and paying back over several years in gold.

Interest rates are low, typically 1.5 to 3 per cent and this can also be paid in gold.

However, the attraction for the banks is that the system enables them to earn a return on an otherwise non-interest-earning asset.

Speaking at the first annual banquet of the newly-formed London Bullion Market Traders Association, Mr Leigh-Pemberton stressed that the Bank had no douht about the ability of the major bullion houses to assess and manage the risks of gold loans.

"But I would be less confident about other intermediaries who may be attracted to this market. It would be a matter for regret if snch firms were to find themselves unduly exposed and, at the very best, able to meet their commitments only at a substantial and unanticipated cost", be said.

"The ramifications, particularly if they were to spill over to create potentially disorderly markets, ehould not be underestimated".

UK rules out merger changes over 1992

BY HAZEL DUFFY IN LONDON

LORD YOUNG, Trade and Industry Secretary, last night ruled out any changes in UK competition policy as a result of the single European market coming into effect in 1992.

He told the annual dinner of the Confederation of British Industry (Britain's employers' organisation) that "1992 will not call for a sea change in mergers policy – just a further evolution of the approach we have taken for many years."

CBI leaders have suggested that the monopoly consideration should take into account the fact that what creates a monopoly in the UK market should be extended to take account of the share a company would have in the whole European Community's market.

Lord Young said the criticism of those who said UK policy was too parochial was based on a misconception.

"Of course we look at the effects of a merger in terms of the effects on UK customers and consumers. But the geographical nature of the market is clearly relevant: it may be a region of the UK; it may be the whole UK; but equally it may be the European or indeed a wider international market."

He added: "There have been many cases in recent years when a merger has created a high market share – sometimes in excess of 80 per cent - yet the merger has not even been referred to the Monopolies and Mergers Commission for closer scrutiny, let alone been stopped."

Mergers policy would evolve, however: "As competition increases from other Community countries so it will assume an even greater role in examining mergers."

Lord Young: mergers policy will evolve

Lord Young made no mention of the Swiss policy which makes it difficult for foreign companies to take over Swiss concerns. But Sir David Nickson, in his last speech as president of the CBI, returned to the theme in the light of the Nestlé bid for Rowntree, the UK sweets group.

"We must be in a position to make acquisitions in Europe, if our European friends are to have free access to the UK. We cannot afford to continue playing football against people with a brick wall across their own goalmouths."

He made a strong plea for British companies to stay in British hands. "Our objective must be to tear down the walls of protectionism." It would be tragic if the only way critical mass on an international scale could be achieved in the UK was for the ownership of British business to be transferred overseas.

He told business leaders that although they had good reason to be more confident they could not afford to be complacent. "We are doing better; we are still not doing well enough."

Banco Santander poised to take Italian stake

BY PETER BRUCE IN MADRID

BANCO SANTANDER, one of Spain's big private banks, is poised to buy a 30 per cent stake in Italy's 11th largest commercial bank, Istituto Bancario Italiano (IBI), from its owner, Cariplo, the big Italian savings bank.

It is understood in Madrid that nearly 10 months of negotiation between Santander and Cariplo could end later this month with an agreement under which the Spanish bank would take the stake in IBI in return for 14.9 per cent of its Catalan subsidiary, Banco Jover, just under 1 per cent of Banco Santander itself, and the rest in cash.

In its final form, the agreement might not match Cariplo's earlier expectations, which were for a significant holding in Bance de Santander itself, but it represents possibly the boldest European acquisition yet by a major Spanish bank.

Last year, Banco Santander entered the West German banking business by buying Bankhaus Centrale Credit and its valuable Visa card franchise from Bank of America for some Pta9bn.

The planned Italian deal, if it goes ahead, would add substance to Santander's refusal to join the trend towards bank mergers that still seems to be fashionable in Spain.

The bank said earlier this year that it would prefer to expand in the rest of Europe as a way of preparing for the single market in the European Community in 1992.

IBI, which made net profits last year of L21bn ($15.8m) on assets worth L9,200bn and deposits of L5,100bn, operates mainly in the prosperous north of Italy. Before being sold to Cariplo it was owned by the late Mr Carlo Pesenti.

Agreement with the Italians was no doubt helped last month by the Bank of Spain agreeing to lift its restrictions on new foreign banks entering Spain and granting an Italian bank a license to operate here.

Banco Santander is one of the most profitable of the large Spanish banks and its stock market capitalisation of Pta647bn ($5.83bn) is the highest of all of them. It made net profits of Pta21bn last year.

● Banco Espanol de Credito yesterday denied Spanish press reports that it was negotiating a merger with Banco Central, but said the two banks were discussing co-operation between their industrial holdings.

Both banks hava extensive interests in construction and oil refining and hold significant stakes in several of Spain's leading power generating ntilities.

ICI continues Faserwerke talks

BY PETER MARSH

IMPERIAL Chemical Industries, the UK chemicals company, is continuing to discuss the possible takeover of Norddeutsche Faserwerke, a West German fibres producer, despite the blocking of the acquisition two months ago by the West German Federal Cartel Office.

ICI's refusal to give up on the venture, which it argues is in the interests of both companies and could help in a much-needed rationalisation of the European fibres business, has general support in both the fibres industry and at the European Commission.

ICI said the matter was at a delicate stage. It would not comment beyond saying it was "still talking" to the German company, which, like ICI, specialises in nylon fibres used in textiles and industrial goods.

The cartel office blocked the acquisition on the basis that it would give ICI too great a dominance in the West German market for nylon fibres. The only other big supplier in this field in Germany is Rhône-Poulenc of France.

Officials in the European Commission have made it clear they supported ICI's move, which Brussels believes is necessary to reduce a general overcapacity in fibres production in Europe. The officials say the issue should be considered as part of an overall European industrial strategy rather than as a domestic matter affecting only Germany.

The European Commission is, however, reluctant to intervene as this might provoke a row with the German Government.

Professor Jean-Louis Juvet, director general of Paris-based CIRFS, a European trade body for fibres companies, said he hoped the ICI takeover would still go ahead.

"It would be in the interests of Germany and the whole of Europe," he said. "If I were ICI, I would be extremely tough with the cartel office and try to find a mechanism so the venture can proceed."

Dr Gunter Metz, deputy chairman at Hoechst, a big German fibres producer, said he thought the action by the cartel office was "ridiculous." He said it indicated that "our legal people (in the German Government) still think in terms of one nation rather than thinking globally."

Hoechst is one of the biggest European suppliers of polyester fibre but is not involved in nylon production.

Eight banks in Spain ahead 35%

By Our Madrid Correspondent

PROFIT margins in Spain's banking sector continued to widen last year with the eight large commercial banks reporting a gain of nearly 35 per cent in total pre-tax profits for the first quarter of 1988.

Banco Hispano Americano, recently recovered from financial difficulties associated with takeovers, reported a massive 89.4 per cent gain on last year's first three months with profits of Pta8.1bn ($73m). Its growth has been followed by Banco Central, with a 42.6 per cent rise to Pta10.5bn.

Other increases include roughly equal performances from Banco de Bilbao and Banco de Viscaya, which are in the process of merging, with profits each up 31 per cent to Pta8.1bn. Banco de Santander's consolidated group profits also rose about 31 per cent to Pta13.9bn.

Banco Exterior, which is owned by the state, made pre-tax profits of Pta2.2bn, a rise of 13.8 per cent. Four-month figures published yesterday put pre-tax profit at Pta3.1bn, a 20 per cent improvement on last year, while Banco de Credito Espanol (Banesto) grew 22.7 per cent to Pta10.6bn and Banco Popular, the smallest but most profitable of the big eight banks, saw first-quarter earnings rise 23.4 per cent to Pta5.8bn.

With foreign competitors not yet free to expand at will in Spain, the local banks remain highly profitable. The sector, though, is undergoing considerable turmoil at present as different banks adopt their own strategies before the European single market in 1992.

Banesto was yesterday moved to deny strong speculation that it and Banco Central are also about to merge. The two banks have been experimenting with "co-operation" among their industrial holdings.

Israel Chemicals seeks to swap shares in the US

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL CHEMICALS, the state-owned chemicals holding company, is seeking a share swap with leading American chemical groups, involving up to 49 per cent of its equity.

Major-General Chaim Erez, the president, said US partners were also being sought for the Dead Sea Bromine Group, a wholly-owned subsidiary. One possibility is that shares in the bromine producer will be floated in New York.

Earlier this month, a plan for the privatisation of a long list of Israeli state-owned companies, including Israel Chemicals, was submitted by First Boston International, the US investment bank appointed as a consultant to the Israeli Government.

Despite a decline in the prices of fertiliser, one of its main products, Israel Chemicals is forecasting an increase in sales this year to $1.03bn. Exports will represent about $300m of the turnover. Profits have, however, been below expectations in the past two years, and Gen Erez said that while the company was anxious to go private, it was "not in a hurry" to conclude a swap deal on inadequate terms. The company's equity value is $460m.

Much the same considerations apply to Dead Sea Bromine, the world's leading exporter of bromine and bromine compounds, with a turnover expected this year of $220m.

The company was a prime candidate for privatisation three years ago, but the prospectus was withdrawn. It may be reissued. Mr Ariel Ginsburg, Dead Sea Bromine's president, said he hoped that by the end of the year the go-ahead would be received to sell an initial minority equity holding in New York.

SGB cement subsidiaries' earnings surge by 62%

BY TIM DICKSON IN BRUSSELS

THE CHALLENGES for Société Générale de Belgique, Belgium's largest holding group, have been illustrated recently with the 1987 results for three leading companies in its portfolio.

CBR, Belgium's biggest cement company which made a big acquisition in North America in 1986, has reported sales of BFr36.23bn ($1.03bn) for last year compared with BFr30.3bn the year before, and net profits up 62.4 per cent in 1987 to BFr2.34bn.

Looking ahead to 1988, the board says prospects are varied and the results are forecast at this stage to be "comparable" with those of 1987. The recovery of the construction sector in Belgium is expected to continue through this year.

Construction activities in the Netherlands are likely to be close to 1987 levels, progress in Canada will be supported by economic growth in British Columbia and the high level of activity should be maintained in the American states of Washington, Oregon and northern California.

"For the first quarter of 1988, results of the European activities, benefitting from outstandingly mild weather, have exceeded forecasts and are ahead of the same period in 1987."

The figures from Gechem, the chemicals and explosives group, and Vielle-Montagne, Belgium's largest zinc smelter and producer, are not so encouraging.

In Vielle-Montagne's case, the losses forecast last October have been confirmed and the group consolidated results amounted to BFr3.07bn, of which BFr2.17bn represented exceptional charges relating to restructuring costs.

For the future, the board says that "one can reasonably predict, even without significant changes in metal prices, the level of the dollar or the general economic situation of last year, that the company should at least break even in 1988."

Gecham, meanwhile, has recorded a consolidated group loss of BFr2.19bn "but says that the large part of this will be non-recurring."

Multi-Purpose cuts losses after shake-up

By Wong Sulong in Kuala Lumpur

MULTI-PURPOSE Holdings, the Malaysian Chinese investment group, has succeeded in cutting losses after a large-scale management overhaul. Operating loss was 31m ringgit ($12.1m) for 1987 compared with a loss of 65.5m ringgit in 1986. Turnover fell 20 per cent in 467m ringgit.

The after-tax loss was 29.5m ringgit compared with a loss of 57.2m ringgit previously. After taking into account minorities and extraordinary items, the net attributable loss was 27.6m ringgit against 228m ringgit.

The group said the reduced losses were due to higher profits from its plantation division and substantially lower losses by the shipping subsidiaries. However, the company's property, banking and lottery units recorded poorer results.

INTL. COMPANIES AND FINANCE

Gordon Cramb on the NZ investment group's latest reorganisation

Equiticorp looks to its reputation

EQUITICORP HOLDINGS, the New Zealand investment company which in the last four years has grown through a series of high-profile deals at home and abroad, is on the move again.

Expansion has brought it control of businesses as diverse as Monier, the Australian building products supplier group sold by Redland of the UK, and Guinness Peat Group, the London-based financial services organisation.

The stock market collapse last October, as for so many of the region's eotrepreneurial companies, brought an abrupt change in the terminology heard from Mr Allan Hawkins, the former Westpac banker who as chairman had spearheaded its rise. He began speaking of a "consolidation phase" in which there would be assets "surplus to requirements scheduled for sale."

As Australasian Investment stars from Mr Robert Holmes à Court to Mr Bruce Judge began succumbing to the realities of their overexposure to the scorched local equity markets, worries began to be heard among analysts that Equiticorp too might not long be able to sustain its high level of borrowings.

Although the company has insisted throughout the past six months that it remains liquid and that its underlying businesses are sound, only in the past week has a succession of events unfolded which Equiticorp sees as offering the clear prospect of re-establishing its repotation among international investors.

The latest came on Wednesday, when the 61 per cent owned GPG settled the long-delayed demerger plans for its Guinness Mahon banking side, and Mr Hawkins announced that Equiticorp itself would move its corporate base from Auckland to set up in Hong Kong as a UK non-resident company. Australasian involvements will be run from Sydney.

This forms part of a reorganisation plan which, though in itself complex, aims to bring together four separately quoted arms of the group into a simpler structure. The New Zealand stock market was not thrilled, however, and shares in Equiticorp Holdings fell 6 cents yesterday to stand at 76 cents.

The very thinness of local equity trading – where volume has dwindled to around a tenth of pre-crash levels – was one reason which Mr Hawkins identified as prompting tha move. Shares in the oew Equiticorp International holding company will be denominated in Australian dollars and quoted in New Zealand, Hong Kong, and Australia, the last of which markets he expects to provide the bulk of its future funding needs.

"The Australian share market has developed depth and a range of international investors which is lacking in the New Zealand market," he said.

He did not elaborate on plans in Hong Kong where Capitalcorp International, its existing quoted offshoot, is to be absorbed into the new groop. This remains dependent on the attitude of the territory's regulatory authorities.

The Securities Commissioo said yesterday that, before it would sanction a change in ownership, it would insist on the establishment of a firm directoral presence in Hong Kong and a clear reason for operating there.

According to Mr Peter Hunt, Capitalcorp managing director – who is expected to resign as tha changes go through – its most significant local asset is a 15 per cent stake in Chung Wah, a shipbuilding, equipment leasing and hotel management company which is also said to be the largest steel fabricator in Hong Kong.

At current market prices for Chung Wah, however, the stake is valued at less than HK$25m (US$3.2m).

It has oot been made clear where Mr Hawkins and his senior executives will spend their time. But Equiticorp's operations outside Australasia will be run from the present Capitalcorp offices which, said Mr Hunt, "can comfortably hold about 10 to 15 people."

The re-domiciling of Equiticorp is clearly aimed at tax efficiency, although Mr Hawkins says that unfavourable changes proposed for New Zealand's own national taxation structure are only one element motivating the move. Sir Roo Brierley is among leading New Zealand investors who have threatened to move their corporate empires offshore if the Labour Governmeot imposes a harsher fiscal regime.

Instead, the Equiticorp chairman stresses that only 40 per ceot of the group's NZ$4.44bo (US$3.06bo) assets are in its maternal market, and that its aspirations remain international.

Uoder the reshape:

- The oew Equiticorp International will offer two shares and one option for every two Equiticorp Holdings shares. The options are exercisable at A$1.40 until 1995.
- Equiticorp International will bid on the same basis for Equiticorp Tasman, its 59 per cent owned Australian offshoot, and offer offer two shares and an option for each share in Aurora, a New Zealand property group where it holds 78 per cent. Offer terms for the 32 per cent minority in Capitalcorp await documentation being drawn up in Hong Kong.
- Feltex internatiooal, a New Zealand carpet manufacturer in which Equiticorp currently has 60 per cent, will buy from its parent the Monier operations as well as Equiticorp's 80 per cent stake in New Zealand Steel, bought from the government last October. Following the cash and shares deal, Equiticorp's stake in Feltex will rise to 78 per cent and it will be the group's main industrial presence in the country.

The Feltex deal will provide an injection of cash for Equiticorp, but borrowings will still be high at NZ$2.73bn against shareholders' funds of NZ$839m. Equiticorp can also expect to realise some of its investment In GPG.

Equiticorp oet profits of NZ$105m for the year to last March were, despite the crash, matched in the first 10 months of its curreot exteoded reporting period which runs to June.

Mr Hawkins himself, whose stake in Equiticorp Holdings grew recently to 50.3 per cent, will emerge with 39 per cent of his reconstituted company. Unlike Mr Holmes à Conrt, though, oo big cash benefits yet flow his way.

Equiticorp HOLDINGS LIMITED

Allan Hawkins (right), chairman of Equiticorp, stresses that its aspirations remain international

Feltex acquisitions make it number two in NZ

BY DAI HAYWARD IN WELLINGTON

FELTEX INTERNATIONAL, in taking control of the recently privatised New Zealand Steel and the Monier building products company in Australia, will bring total spending on its expansion programme to more than NZ$900m (US$619.3m) in less than a year.

The move will double the size of Feltex, which started as a carpet producer, to make it the country's second largest industrial group, with assets of NZ$2.3bn and annual sales of NZ$1.9bn.

Mr John Lindsay, the group's managing director, describes the purchases from Equiticorp as a big step in the Feltex strategy of establishing itself as a significant trans-oational manufacturing and marketing company.

The NZ Steel and Monier aquisitions will cost the company NZ$351m in cash plus 116.1m of oewly-issued Feltex shares. In the Wellington Stock Exchange, Feltex shares closed 5 cents lower yesterday at NZ$2.50.

Feltex took the first step in its expansion programme in May of last year with the acquisition of Allsteel, a North American commercial and systems furniture manufacturer, for NZ$175m.

In November it bought Suer Sky, claimed to be the world's leading designer and maker of architectural glass roofing systems.

In the latest purchases, its 80 per cent majority in NZ Steel ties in with many of Feltex's international operations which are large users of steel.

The Monier group itself consumes 200,000 tonnes of steel a year in Australia and the US while Allsteel requires another 45,000 tonnes.

Feltex, which was established in 1921, now has 35 manufacturing plants throughout the world – before the inclusion of Monier and NZ Steel – and has 5,560 employees. Monier has 103 facilities, including quarries, in Australia and another 10 in North America.

Uoder the new structure, 69 per cent of Feltex's assets will be in New Zealand, 17 per cent in Australia, and the rest in North America. The production of wool carpeting oow accounts for only 14 per cent of its sales mix. The enlarged gronp forecasts that net profits will reach more than NZ$100m for its current year, up from NZ$71.8m.

Equiticorp International will have a 78 per cent shareholding in Feltex which, bowever, will have an increased level of debt after the acquisitions.

Minebea more than doubles interim profits

By Carla Rapoport in Tokyo

MINEBEA, Japan's aggressive electronic components and ball bearings company, more than doubled pre-tax profits in the six months to March, to Y8.8bn ($70.7m) from Y4.1bo on sales up by 20 per cent to Y74bn. Most of the improvemeot was due to higher profits from its overseas subsidiaries acquired over the last several years.

The company is the world's leading manufacturer of miniature bearings and is famous for its aggressive approach to takeovers. Its profits appear to vindicate that strategy which is considered highly unusual within the Japanese business enviroonment.

Minebea's single attempt at a bostile takeover, however, was abandoned earlier this year when it sold its 18 per cent stake in Sankyo Seiki, an electronics parts company. The group is continuing to diversify into semiconductors and keyboards.

For the full year, it expects parent company pre-tax profits of Y15bn on sales of Y154bn.

Seoul listing plan sparks protest

BY MAGGIE FORD IN SEOUL

CONCERN IS mounting among foreign companies in South Korea over a government plan to force joint ventures to list on the Korea Stock Exchange. Listing would dilute foreign equity in the partnership and possibly allow takeover by the Korean partner.

The idea has arisen as part of a wider policy to persuade South Korean companies to go public, so as to broaden the base of the stock exchange, to disentangle cross holdings in large conglomerates, and to force companies to repay their enormous bank debts. The plan is the basis of a move to a modern financial system.

But the inclusion of joint ventures has sparked strong protests by both US and European companies operating in South Korea. They say the plan is shortsighted and will discourage foreign investors just as the country is being considered as a site for plants to service the Japanese and Chinese markets.

"Many people believe South Korea is the best place to manufacture, since Japan is too expensive and China too underdeveloped," said one businessman. "But if even joint ventures cannot be guaranteed, then Taiwan will immediately become first choice." Except in a very few cases, South Korea does not allow wholly-owned subsidiaries of foreign companies and strongly discourages stakes larger than 50 per cent.

Among the larger companies involved in joint ventures are General Motors, Shell, ITT, Unilever, Hoechst, Ericsson and a number of foreign banks. US and European businessmen are presently holding joint meetings and reviewing legal issues preparatory to fighting the move.

The Securities Supervisory Board, responsible for the Korea Stock Exchange, is believed to be considering sanctions against companies that refuse to go public, including restrictions on credit and forcing foreign owners to release their shares. More than 20 joint ventures are reported to have refused to follow the Government's policy.

The row illustrates the problems which arise when a country which has operated essentially a centrally planned system starts to switch over to a Western style pattern of free enterprise and a true private sector. While the foreign companies involved in South Korea generally applaud the Government's policy on market listing, they say it is incompatible with the joint venture system. For the time being, joint ventures should be exempted.

Although the Ministry of Finance appears to be taking a dogmatic attitude on the issue, companies have yet to deliver the kind of strong protest which has been needed in the past to protect their interests. They remain uncertain over whether or not the full implications of the policy have been considered.

Foreign investment increased sharply in South Korea last year, to a little over $1bn from $353m the previous year. Officials are concerned, however, about foreign inflows and have recently been encouraging South Korean companies to invest abroad. Limited outward portfolio investment has also been approved.

Delay to TSE trading for foreign brokers

BY STEFAN WAGSTYL IN TOKYO

FEWER THAN half the 16 foreign securities companies which won seats on the Tokyo Stock Exchange, after a fierce commercial and political battle last year, will start trading on the admission date of May 23.

Seven companies plan to begin operating on the stock exchange floor from T-day. Most of the rest intend to start by early July, but one company will not be ready until the autumn.

Difficulties in setting up offices in the space of a few months, compounded in some cases by problems in hiring staff, are the reasons behind the delays.

Brokers say that starting a few weeks after the admission date should be no great disadvantage – even though every company will have to put up the membership fees by May 23. "Better to start late than start early when you're not ready," said a manager at one of the companies planning to begin in June.

This relatively relaxed attitude contrasts sharply with the tense mood last year, when these 16 were chosen from among more than 20 foreign securities companies which lobbied the Japanese authorities intensely to win seats on the exchange.

The companies planning to start on May 23 include two British companies – County Natwest Securities, a subsidiary of National Westminster Bank, and Kleinwort Benson, the merchant bank. Alongside them will be four US companies and one French-owned.

Among the companies which intend to begin trading later are Baring Brothers and Schroders, the UK merchant banks, Deutsche Bank and Dresdner Bank, both of West Germany, Prudential Bache, the US securities company, Sogen Securities, a subsidiary of Société Générale of France, and two Swiss companies – SBCI Securities, an affiliate of Swiss Banking Corporation, and UBS Phillips and Drew International, owned by Union Bank of Switzerland.

These companies will have at least one advantage in starting late. New brokers on the Tokyo exchange are usually welcomed with a flood of congratulatory orders. The May 23 contingent will have to share this windfall, those coming on the floor afterwards can expect to have the congratulatory bonus all to themselves.

●Japan's Ministry of Finance says it is considering imposing a tax on new financial futures.

Transactions of government bond and stock futures are currently taxed and new financial futures will be basically taxed, too, the ministry said. Bills designed to allow broking by securities firms in non-securities futures are being debated at the current parliamentary session.

Non-securities instruments such as currencies and interest rates will be listed on the new financial futures exchange expected to be set up in 1989.

Rise in tourism brings El Al record profits

BY ANDREW WHITLEY IN JERUSALEM

EL AL, the Israeli national airline, has reported record profits of $18.2m for the nine months to December 1987. In line with other Israeli companies, the airline has changed its financial year to coincide with the calendar year.

Boosted by a sharp increase in tourism to Israel last year, El Al's revenues grew from $567m, for the 12-month period to March 1987, to $521m over the following nine months – an annualised rise of 22 per cent.

The passenger load factor of 77.9 per cent was one of the highest in the industry. It was the second year in succession that El Al had been in the black, raising hopes that the receivership in place since 1982 will be lifted over the coming months.

This is a precondition for its planned privatisation. Apart from the tourism increase, Mr Rafael Harlev, president, attributed the improved figures to better employee productivity and reduced operating expenses, particularly lower fuel costs.

However, the Palestinian unrest having a damaging impact on tourism to Israel is certain to reverse last year's gains during 1988. Travel from the US, El Al's most profitable route, has been particularly badly hit in recent months. At a press conference on Wednesday, El Al management would not quantify the decline in business this year.

Contingency economy measures under consideration are said to include a reduction in the number of flights to Europe and the use of smaller Boeing 767s rather than 747 Jumbos on trans-Atlantic routes. For the past six years, the Israeli carrier has been prohibited by government order from flying on the Jewish sabbath or other holy days, making it what a spokesman once sourly dubbed "the world's only five-and-a-half-day airline."

This self-inflicted drawback is partially compensated for by its stringent security procedures, which have proved a strong passenger draw on flights to Israel.

BIS says markets withstood 1987 well

By Stephen Fidler, Euromarkets Correspondent

INTERNATIONAL financial markets appear to have withstood the trials of 1987 reasonably well, the Bank for International Settlements concludes in a report published today.

The conclusion is contained in the Basle-based institution's quarterly report on international banking and financial market developments.

"The international financial markets appear to have withstood the very rough weather quite well. There were sharp declines of activity in individual market sectors, but these were more 'temporary retreats' than 'actual defeats,' and when conditions stabilised in the first quarter of 1988 these market sectors staged a rapid comeback," the report said.

The BIS, owned by central banks of the main industrialised countries, did, however, highlight some weaknesses, for example the markets' greater susceptibility to interest rate, exchange rate and regulatory shocks. They also, it said, indicated their main virtue: flexibility.

Noting that a cut in dealing capacity had taken place in the Eurobond market without major accident, the report said that banks scaled down their involvement as intermediaries, borrowers, and investors in the international bond market. "But at the same time they were able to increase the role of the international banking sector in the intermediation of international financial flows," it said.

●Total cross-border claims of the reporting banks to the BIS, covering most of the main international banking centres, grew by a record $568bn in 1987 to $4,157.2bn, although the pace slowed in the fourth quarter. It owed much to a build-up of interbank balances, particularly to brisk development of business between Asian financial centres.

Deposits by countries of the Organisation of Petroleum Exporting Countries in reporting banks surged by $8.4bn in the fourth quarter, the largest quarterly increase since the third quarter of 1980. The bulk of this was accounted for by Saudi Arabia ($4bn) and the United Arab Emirates ($1.9bn). Total Opec deposits grew by $18.9bn in the year to $169.7bn, after falling by $22bn in 1986.

Banesto makes placement outside Spain

By Our Euromarkets Correspondent

THE LARGEST placement of Spanish equity made outside Spain since the October stock market crash has been completed, Warburg Securities said yesterday.

Warburg and Asesores Bursatiles, one of the leading Spanish brokers, placed 2.8 per cent of the equity of Banco Espanol de Credito with institutional investors entirely outside Spain, mainly in Europe, including the UK, and the US. Banesto is the third largest banking group in Spain, judged by the size of balance sheets.

Two million shares, valued at just over $100m, were placed at a net price of Ptas5,625, Warburg said. The shares were part of the bank's issued share capital which it had been holding in its treasury.

Vale to make $300m issue of debentures

By John Barham in Sao Paulo

COMPANHIA VALE do Rio Doce, Brazil's biggest mining company which is excluded from international capital markets until the country reaches a foreign debt settlement, is to launch $300m in debentures next month.

Mr Wilson Brummer, the company's financial director, said the debentures will be used to redistribute Vale's debt burden and increase its capacity to borrow.

The paper, available on the local market only, will pay real interest of 6 per cent a year. As an added incentive, the company is also offering to distribute 2 per cent of the its profit to debenture holders. Interest and profit clauses will be renegotiated during the paper's 15-year life.

Badly matched foreign loans were one of the main causes of the company's $344.4m net loss in 1987. Vale's export income is dollar-denominated, but two-thirds of its $1.5bn foreign debt is in D-Marks, Swiss francs and Japanese yen.

The company's local currency loans also increased in dollar terms because 1987 inflation advanced more rapidly than the cruzado's rate of devaluation.

Australian dollar sector sees sharp mark-downs

BY DOMINIQUE JACKSON

WITH EUROPEAN investors away for Ascension Day and the US Treasury auctions subduing dollar bond business, the spotlight fell yesterday on the Australian dollar sector of the Eurobond market.

Australian dollar Eurobond prices slumped in panic-stricken, largely professional, early trade with several of the more recent issues quoted at discounts of four or five points. Some bargain hunting aided a partial recovery although most bonds finished with net losses of around one to two points.

Elsewhere in the market, most sectors appeared to have shrugged off Wednesday's rise in US prime rates which many dealers said had been largely discounted. Prices showed little clear direction, within their recent narrow ranges.

In the absence of Continental retail accounts, who provide the day-to-day business for the Australian dollar sector, many traders marked prices down yesterday morning in response to a fall of over a point in the Australian government bond market.

The domestic market has slipped by ¼ to ½ point every day so far this week and the rise in US prime rates prompted a sustained sell-off, led by a distinctly softer tone in the futures market. The yield on 10-year government paper edged up, from 12 per cent at the opening to close at 12.14 per cent.

These falls exacerbated market uncertainty over the current monetary policy of the Reserve Bank of Australia. The RBA appears to have moved to tighten monetary policy lately and at the same time has continued substantial intervention in the foreign exchange markets to check the ascent of the Australian dollar.

By mid-morning, prices of several more recent Eurobond issues had been marked down drastically.

INTERNATIONAL BONDS

The A$200m deal for the State Bank of New South Wales was reportedly bid at a discount of 5 points while the State Electricity Commission of Victoria was said to be trading at a discount of 4 points.

At these levels, several institutions apparently came into the market to pick up some bargains and most issues staged a limited recovery to end the day ½ to 1 point below the previous day's closing levels.

However, many of the new issues which emerged together last week did not fare quite so well and were still way outside their fees by the close of trade. Dealers said some of the latest bunch of deals had not been successfully placed and that a few of them were considered tightly priced at launch onto an already bursting market. Last week's ANZ and Westpac deals were quoted bid at discounts of 3⅝ and 3½ respectively.

Volume was high although this was said to be largely inter-professional, although early reports of market makers refusing to quote prices and not answering telephones appeared to have been exaggerated.

Sector specialists were surprised at yesterday's volatility and at the extent of the price mark-downs. Both the Australian domestic markets and the Eurobonds have enjoyed remarkably strong rallies since the start of the year. A strong Australian dollar, supported by buoyant commodity prices, has driven yields down to their lowest levels this decade.

Elsewhere in the market, volumes remained low with investors still nervously on the sidelines. Remarks by US Federal Reserve Board Governor Wayne Angell that the Fed planned no drastic policy moves failed to impress the US dollar bond markets. Prices were narrowly mixed ahead of the final leg of the Treasury refunding auctions.

Only one new Eurobond issue emerged. The Halifax Building Society issued a £200m 10-year floating rate subordinated note issue, the largest such issue by any building society. Credit Suisse First Boston was the sole lead manager of the issue which was largely pre-sold. No further details of the pricing were available.

Mr Gren Folwell, general manager finance, said the issue had been assigned an AA3 credit rating by Moody's Investors Service, the first assigned to a building society for subordinated debt. The Halifax's senior debt is rated AA1 by Moody's.

Shanghai Volkswagen in domestic issue

SHANGHAI VOLKSWAGEN, the Chinese car venture 50 per cent owned by Volkswagen of West Germany, is to raise 29.5m yuan through a domestic bond issue, the first such issue by a Sino-foreign joint venture, Reuter reports from Shanghai.

The company said 19.5m yuan of the three-year bonds will be sold to individuals at an annual interest rate of 10.5 per cent, exempt from tax. The remaining 10m yuan will be sold to companies, at an annual rate of 5.4 per cent, with interest and principal for both sets of holders to be paid at the end of the three years.

The company said corporate buyers of 200,000 yuan worth of bonds will receive priority in purchasing Santanas, the main car produced by the plant.

It will use the funds to raise annual capacity to between 30,000 and 60,000 cars from 1988's planned 15,000 and 1987's actual 10,000.

The company aims to raise the local content rate to between 25 and 30 per cent in 1988 from 14.3 per cent in the 25,000 cars it has produced since the project began in September 1985.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 12

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94¾	95¼	0	-0⅛	9.11
All Nippon Air 9¾ 97	100	†94½	95	0	-0⅛	10.27
American Brands 8¾ 92	150	98	98½	0	-0¼	9.38
A/S Eksportfinans 7⅛ 93	100	†93¾	93⅞	+0⅛	-0⅝	9.11
A/S Eksportfinans 7¼ 92	150	94¾	95⅛	0	-0¼	8.91
Barc. Bk. Fin. 10¼ 89	200	†102¾	102⅛	0	-0⅛	8.53
Belgium 9⅛ 92	400	†100	100½	+0⅛	-0⅜	9.03
British Telecom 7⅜ 96	250	88⅝	89⅛	+0⅛	-0½	9.60
Cal.Natl.Telecom 8½ 93	160	98⅛	99	-0⅛	-0½	8.82
Canada 9 96	1000	98⅛	99	+0⅛	-0½	9.22
Canadian Pac 10⅛ 93	100	†103¾	104⅛	0	-0½	9.64
C.C.C.E 7⅛ 91	113	†94⅛	95⅛	0	-0⅛	8.84
C.N.C.A 7¼ 91	150	94½	95⅛	0	-0⅛	8.99
Coca-Cola Ent. 8¼ 90	100	†100½	101	0	+0⅛	7.84
Credit Lyonnais 9 92	200	100½	101⅛	0	-0¼	8.66
Credit National 8¼ 93	200	96⅛	96⅞	0	-0½	9.12
Credit National 7⅛ 92	100	94⅝	95⅛	+0⅛	-0½	8.97
Credit National 7¼ 91	150	94⅞	95⅜	+0⅛	-0½	8.87
Denmark 7⅛ 92	500	93½	94	+0⅛	-0½	9.12
E.E.C 7 91	100	94¾	95¼	+0⅛	-0½	8.67
E.E.C. 7¼ 93	250	93⅛	93⅛	-0⅛	-0½	8.99
E.E.C 8¾ 96	100	†92⅛	93	+0⅛	-0⅛	9.57
E.I.B. 7¼ 93	100	93½	94	0	-0½	9.08
E.I.B. 9⅛ 97	150	98⅜	98¾	+0⅛	-0⅛	9.59
Elec. De France 9 98	200	95⅛	95⅛	0	-0⅛	9.74
Finland 7⅛ 97	200	88⅛	89⅛	+0⅜	-0⅛	9.77
Finland 7⅛ 93	200	93	93⅛	+0⅛	-0⅛	9.13
Finn. Exp. Cd. 8⅜ 92	200	98⅛	99⅛	+0⅜	-0⅛	8.80
Ford Motor Credit 8 91	250	97⅛	98⅛	0	-0⅛	8.80
Gen Elec Credit 10¾ 00	200	101⅛	102⅛	-0⅛	-0⅛	9.97
G.M.A.C. 8 89	250	99⅛	100	0	-0⅛	8.27
G.M.A.C. 8¼ 89	200	99⅛	100⅛	0	-0⅛	8.20
Hoesch 8¾ 97	100	†92⅛	92⅛	+0⅛	-0⅛	9.53
Italy 9 90	1000	101⅜	101⅝	+0⅛	-0⅛	8.30
L.T.C.B of Japan 8 91	100	98⅛	98⅜	0	0	8.57
L.T.C.B. of Japan 8 97	200	88⅝	89	+0⅛	-0½	10.01
Mercds-Benz Cd. 8½ 95	100	95⅝	96⅛	0	-0⅛	9.33
Metropolis Tokyo 9½ 93	200	101⅛	101⅛	0	-0⅛	9.10
Mitsubishi Fin. 7⅞ 93	100	†93¾	93⅛	+0⅛	+0⅛	9.37
Norway 8⅛ 93	500	98⅛	99⅛	+0⅜	-0⅜	8.97
Pepsico Inc 7⅛ 93	200	†93⅛	93⅛	0	-0⅛	9.08
Portugal 8¼ 91	300	98	98⅛	0	+0⅜	9.00
Prudential Crp. 8¾ 94	125	99⅛	100	0	+0⅛	8.82
Qantas Airways 10⅛ 95	140	103⅛	103½	-0⅛	-0⅛	9.71
Saab Scania 9½ 91	125	†101¼	102¼	0	-0½	8.63
Saskatchewan 10⅛ 92	100	105	105⅜	-0⅛	-0½	9.08
State Bk S Aust 9¼ 93	100	99½	100	0	-0¼	9.30
Swedish Expt. Crd. 7⅜ 91	100	†95	95½	0	-0⅛	8.82
Swed Exp Cred 10 92	100	†103	103⅛	+0⅛	-0½	9.00
Sweden 7 91	250	95¼	95⅛	0	-0¼	8.55
Sweden 7 92	250	†94¼	94¾	-0⅛	-0⅜	8.76
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102	102¾	0	-0½	4.87
Belgium 4⅛ 94	45	97	97⅜	+0⅛	-0½	5.19
Canada 4⅛ 92	80	98½	98¾	+0⅛	-0¾	4.75
Elec. De France 5½ 96	20	100	100⅜	0	-0¾	5.07
Ireland 5⅜ 93	30	99¾	100⅜	0	-0⅜	5.12
Norway 5⅛ 95	50	99¾	99⅜	0	-0⅛	5.21
Rep. of Italy 5¾ 92	150	103¾	103⅞	+0⅛	-0⅜	4.64
Sweden 4⅛ 92	50	98⅛	98½	-0⅜	-0⅛	4.81
World Bank 5½ 92	50	103⅛	103⅜	+0⅛	-0⅜	4.65

Average price change... On day +0⅛ on week -0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	50	100⅛	101⅛	0	-0⅞	9.95
Alg. Bk. Ned. 5½ 92 FL	150	100⅛	101⅜	0	0	5.23
Amro Bank 6¼ 92 FL	150	101½	102¾	0	-0⅜	5.76
Barc. Aust. 14 91 A$	20	102⅜	103	-0¾	-1¾	12.91
Barc. Bk. 10¾ 97 £	250	98⅜	99⅛	0	+0⅜	10.42
BP Capital 9⅛ 93 £	100	100⅛	100⅜	0	-0⅛	9.61
British Airways 10 98 £	100	96⅜	97⅛	0	0	10.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS: [illegible]

SWISS FRANC STRAIGHTS: [illegible]

FLOATING RATE NOTES: [illegible]

CONVERTIBLE BONDS: [illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier. [illegible]

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INT'L COMPANIES AND FINANCE

Mary Helen Spooner on the latest sale by Santiago's state development corporation

Chile privatisation steams ahead

CHILE'S state development corporation (Corfo) has passed a significant milestone in its privatisation programme with the sale of an 18.4 per cent stake in Industria Azucarera Nacional (Iansa), the state sugar company.

The buyer is Chicago Continental Bank, a subsidiary of Continental Illinois, which paid a peso equivalent of $9.5m. The sale fulfils Corfo's goal of selling 75 per cent of Iansa to private buyers.

Iansa is one of 26 Chilean state enterprises undergoing partial or complete privatisation since 1985, when the corporation began the third phase of the Pinochet regime's privatisation programme.

The first phase, which began 10 years earlier, had consisted of selling companies which had been nationalised by the previous Government of socialist President Salvador Allende.

A second phase involved the sale of private companies whose high level of indebtedness had prompted authorities to take administrative control and thus prevent their collapse.

To date, the third phase of the privatisation process has resulted in $600m in revenues for Corfo, which this year hopes to sell shares in six more state companies.

The new share sales involve a hydroelectric company, three regional electricity companies, the Chilean state insurance company and Lan-Chile, the state-owned airline. The Government recently approved a plan to increase the amount of the airline's stock for sale from 33 to 60 per cent.

Corfo says it plans to sell a significant portion of Lan shares to a single investor. Smaller share packages will be sold on the stock exchange to the airline's workers and to Chile's private pension companies, which last year were authorised to invest in state company shares.

Corfo is studying the possibility of restricting at least part of the share sales of the regional power companies to local buyers in the area.

The corporation is also seeking to cut its participation in Sociedad Chilena del Litio, a lithium mining joint venture with Foote Minerals of the US in the Atacama desert of northern Chile.

Corfo wants to reduce its share from 45 to 20 per cent in the company, which in 1986 exported $18m worth of lithium carbonate, about one 25% of the world's production.

In addition, Corfo plans this year to sell its remaining holdings in Compania de Telefonos de Chile (CTC), the state telephone company, in a state-owned coal company and to reach a goal of 49 per cent privatisation in Endesa, the state power company.

Investment banks, both foreign and Chilean, are among the biggest buyers of state company shares and in many cases are making use of the central bank's debt conversion programme to trade-discounted foreign debt notes for pesos at full face value.

Chicago Continental said in Santiago that it planned to finance its purchase of Iansa under this programme.

Mr Manuel Macaya, deputy director of Corfo's privatisation programme, said his department had received inquiries from other Latin American countries interested in Chile's experience with the sale of state companies, including some governments, like Peru's, which seek a greater, rather than a lesser role in their respective economies.

However, within Chile, the privatisation programme continues to receive brickbats from groups who question the wisdom of selling off profitable enterprises and in some cases even threaten to overturn the sales at some future date when a civilian democratic government takes over.

Corfo officials hope to avoid such a scenario by selling the state company shares to as many different buyers as possible, reasoning that large numbers of small investors would mount a more effective resistance to a government takeover than single corporate shareholders.

CODELCO, Chile's state copper company, reported net profits of 267m pesos ($1.06m) last year, more than double the 127.6m pesos registered in 1986.

Copper exports rose to 1.92bn pesos, up from 1.46bn pesos, reflecting the increased average annual price of 74.8 cents per pound against 58.2 cents in 1986.

Copper production, however, fell slightly from 1,102 tonnes to 1,090.5 tonnes, while the output of molybdenum, which Codelco produces as a copper byproduct, increased from 16,581 tonnes to 16,940 tonnes.

Molybdenum exports declined from 125m pesos in 1986 to 120.1m pesos last year.

According to the company's annual report, Codelco invested 323.3m pesos last year in new equipment and installation.

TWO INSURANCE COMPANIES REVEAL MIXED FORTUNES

Royal below City expectations

BY NICK BUNKER

THE DOWNTURN now under way in the vast US property/casualty insurance industry became clearly visible yesterday in figures from Royal Insurance, the biggest UK-based non-life insurer, as it reported quarterly pre-tax profits up only 15 per cent at £55m.

Falling £10m short of the most pessimistic City expectations, the results prompted a slide in Royal's shares, which closed down 22p at 400p. Earnings per share grew 6 per cent to 7p.

Analysts quickly noticed that the shortfall was largely due to one-off problems including £7m of arson claims in New Zealand, a late inflow of £10m of claims from last October's western European hurricane, and a $30m (£16m) addition to its US loss reserves.

Royal also took a £5m charge in the quarter ending March 31 to cover costs of reorganising its UK non-life operations and setting up The Insurance Service, its Bristol-based company selling motor insurance over the telephone.

Mr Alan Horsford, chief executive, refused to comment on last week's Parisian newspapar reports that Royal is in merger or joint venture talks with Group Victoire, which owns Abeille-Paix, a major French insurer.

Mr Horsford said that in the run-up to the European Community's planned creation of a unified insurance market "every insurance company is talking to every other insurance company about a variety of things in the light of 1992."

But he warned that British insurers could face threats as well as opportunities in a single post-1992 market, especially from continental European insurers aiming to penetrate the UK.

The stock market's chief cause for concern was not in the bottom line figures but in signs of the tongh trading environment Royal now faces in the US, accounting for about 40 per cent of its non-life business, where the last 12 months have witnessed a return of price-cutting by insurers for commercial property and liability risks.

Royal's written premiums there grew only 1.5 per cent in local currency terms to $534.1m, below the rate of inflation in claims costs at a time when it said automobile liability and workers' compensation losses were still "very unsatisfactory." "Wa clearly face a very demanding situation in America," said Mr Horsford.

He insisted however that Royal expected the downturn to be far less severe than the savage losses suffered by US insurers in the mid-1980s. Mr Horsford said he foresaw commercial lines rates starting to move up again in the US in 1990, because insurers would be under pressure from what he called "a double whammy" of rising claims combined with a big extra tax bill resulting from the 1986 US Tax Reform Act.

Royal is taking action to curb expenses in the US with a mandated 5 per cent cost reduction this year. Royal also maintains that its marginal increase in premium volumes reflected its policy of shedding business rather than underwrite it at unprofitable rates.

See Lex

Mild winter boosts first quarter at GA

General Accident, Perthshire-based composite insurer, nearly quadrupled pre-tax profits in the first quarter, as it reaped the benefit of a mild winter in the UK.

At the pre-tax level, group profits grew from £17m last year to £58.7m in the three months ending March 31, against a background of a 13 per cent rise in total non-life premiums to £581.3m.

After an increased tax charge, attributable profits were £43.5m (£5.1m), while earnings per share were np 178 per cent at 22.8p.

The results prompted a 5p rise in GA's shares to close at 915p, but that still left them trading at a significant discount to the net asset value per share of 962p, a figure which does not include the value of the group's life assurance business.

The figures heavily underscored the current health of the big composite insurers' property business in the UK, plus the return to significant profitability since 1986 in the private motor market, the source of some of their biggest problems since the early 1980s.

In the UK, GA more than halved its motor underwriting losses to £2.5m, inspite of what it said was "a marginal increase in claims frequency."

In line with similar results from Commercial Union earlier this week, GA also showed an underwriting profit of £1m on its UK householders' business, at a time when major insurers are confidently expecting to obtain an 11 per cent household structure premium rate increase this summer.

The main trouble spot for GA was in Canada, where amid signs of a downturn in industry results the group saw its £3.4m 1987 first-quarter profit turn into a £1.7m loss.

In the US, the group's second biggest territory, where its Philadelphia-based operations are heavily committed to the motor market, premiums grew 15 per cent to $371.2m (£198m). GA managed a three percentage point improvement in its operating ratio – which measures claims and expenses as a percentage of premiums – from 109.5 per cent to 106.6 per cent.

Pearl shares advance as FAI lifts stake above 7%

BY NICK BUNKER

MR LARRY Adler, the Australian corporate raider, has lifted to 7.1 per cent the stake in Pearl Assurance which he began huilding last December.

The news helped spur a 9p rise in the UK group's share price to 474p, but came as little surprise to market-makers in insurance stocks who had last week suspected Mr Adler was huying Pearl shares heavily again after a three month interval.

The stake is actually held hy FAI Securities, a subsidiary of FAI Insurance, the Australian group led by Mr Adler.

FAI first disclosed a 5.43 stake in January 1988, then lifted it to 6.46 per cent in early February.

Mr Nigel Proddow, Pearl's chief genaral mansger, said he believed that in his latest buying Mr Adler is "just adding to his investment."

However, Pearl has long been viewed as a possible takeover target – though Mr Adler is not regarded as a likely bidder himself – largely because its bistory of conservative valuation of its assets and liabilities has left it with huge hidden financial strength.

Nominees reveal near-7% holding in Lyon & Lyon

BY CLAY HARRIS

PAXSTED Investments, a nominee company owned by Manchester stockbroker Ashworth Sons & Barratt, has bought a 6.56 per cent stake in Lyon & Lyon, West Yorkshire Ford dealer.

Lyon & Lyon shares added 2p yesterday to close at 222p, an all-time high, giving the company a market valne of £7.1m.

The Batley-based group said it had sent a Section 212 notice to discover the beneficial ownership of the holding, as it does for all new stakes of 1 per cent or more.

In 1987, Lyon & Lyon achieved pre-tax profits of £479,582 on turnover of £17m. It already has seven companies or fund management groups holding stakes of 5 per cent or more.

The largest single hlock, 11.25 per cent, is owned by Allied Partnership Group, the building services and plant hire company. APG on Wednesday disclosed a 10.54 per cent stake in Caffyns, Eastbourne-based motor dealer.

Seafield suspended

Share dealings in Seafield, the textile and PVC-coated fabric producer, were suspended yesterday at 130p at the company's request

Woolworth may buy up to 10% of equity

By Maggie Urry

Woolworth, the retail group which includes B & Q, Superdrug, and Comet as well as the Woolworth chain, is asking shareholders for authority to buy up to 10 per cent of the company's shares in the market. A resolution will be put to shareholders at tha annual meeting on June 8.

The group said it was not the directors' intention to take any immediate action. However, if the right combination of share price, corporate cash-flow and earnings growth prevailed it would want the ability to buy shares so as to enhance earnings per share.

In the accounts, published yesterday, a sum of £273,000 is described as payments in respect of loss of office. During the year two directors left the group, Mr Malcolm Parkinson, who had been in charge of the Woolworth chain, and his deputy Mr Derek Pretty.

The accounts also show that the highest paid director – Mr Geoffrey Mnlcahy, group chief executive – received remuneration totalling £460,000 last year, a 59 per cent advance on the previous year. The remuneration is in part related to earnings, which last year rose by 43.6 per cent on a fully diluted, per share basis.

In a discussion of the future for Woolworth in the report, Mr Mulcahy calls for the legalisation of Sunday trading. "I think that Sunday trading must come, because shopping is as much a leisure activity as going to the seaside and the public is losing patience with the current situation," he says.

New adviser at Racal

Hill Samuel lost another client yesterday, when Racal Electronics announced that it had removed the merchant bank as its financial adviser and replaced it with Goldman Sachs International and NM Rothschild. Racal would not comment on why it had chosen to change its merchant bank, except to say: "We looked at the ability of those who wanted to be contenders and Hill Samuel did not win."

BP first quarter replacement cost profit up 26% to £408m

BY MAX WILKINSON, RESOURCES EDITOR

British Petroleum yesterday reported a 26 per cent rise in after tax profit on a replacement cost basis for the first quarter of 1988 to £408m, compared with £324m in the same period of 1987.

On a historical cost basis, however, after–tax profits fell by 43 per cent to £263m, reflecting stockholding losses which resulted from the fall in oil prices.

Oil prices in the first quarter averaged $15.70 per barrel compared with $18.10 in the last three months of 1987, and $17.80 the first quarter of 1987.

However, as a result of the fall in the value of the dollar, the declina of oil prices in sterling terms was 25 per cent during the 12 months to an average of £8.70 in the first quater of the year.

This depressed the contribution of the US part of the business to group profits, although BP says that in dollar terms the US results were hatter than expected.

On a replacement cost basis, the operating profit from the US was £350m, just under half the £740m operating profit for the whole group and 4½ per cent better than the US result for the first three months of 1987.

For the group as a whole, lower crude prices depressed operating profits in the exploration and production and the refining and marketing parts of the business. Upstream profits fell 12 per cent to £407m, compared with the figure for the same period in 1987. Downstream profits were depressed by 21 per cent at £140m, mainly as a result of the low margins in the refining business, only partially offset by health marketing margins.

The star performance was by the Chemicals business which raised operating profits from £51m in the first three months of 1987 to £133m. The minerals operations recorded an even larger proportionate rise from £10m to £58m over the same period, mainly reflecting the increase in copper prices. The results reflect the full integration of Britoil, the former UK oil exploration and production company for £2.4bn. The effect of the acquisition has been to raise BP'e debt to debt plus equity ratio to 36 per cent compared with 33 per cent at the end of last year. Some £300m of the cost of the acquisition remains to be paid. The main cost has been met by running down the group's cash balances and by utilising Britoil's cash to raise some £800m, by long term debt issues of about £400m, and by disposals of about £230m in the period.

For the year as a whole, BP is hoping to reduce its debt to debt plus equity ratio somewhat below 35 per cent by using internally generated cash and further disposals which might total £1bn or more for the whole year.

See Lex

Rodime reveals increased second-quarter deficit

BY ANDREW HILL

EXPANSION OF its Singapore plant contributed to second quarter losses at Rodime, manufacturer of Winchester computer disk drives.

The company incurred losses of $3.71m (£1.98m) before tax in the three months to March 31, compared with a $396,000 loss in the equivalent period.

Sales of the company's older products declined during the three-month period and turnover dropped from $34.5m to $25.4m.

The losses were aggravated by operational inefficiencies, according to Rodime. First quarter pre-tax profits of $509,000 were more than cancelled out and losses before tax for the half-year to March 31 increased to $3.2m ($2.87m) on reduced turnover of $48.8m ($57.1m).

Rodima has recently introduced three new product ranges, mainly for installation in large manufacturers' own computer equipment.

Mr Len Brownlow, chairman, said new products and those sold directly to computer-nsers accounted for 84 per cent of turnover in the quarter compared with 15 per cent in the equivalent period and 60 per cent in the preceding quarter.

"To keep ahead, we gamble by investing in new product design and then rely on quality and performance," he said, adding that some of the largest players in the industry had opted for the new Rodime products.

The company – quoted in London and on NASDAQ, the US over the counter market – has factories in Florida, Scotland and Singapore. In the first quarter Singapore accounted for about 20 per cent of production, although Rodime says this figure is rising.

The loss per share for the quarter increased to 47.1 US cents (2 cents), and for the half-year loss rose from 22 US cents to 40.6 cents.

Rodime shares closed unchanged at 175p last night.

Staley continues to talk with Tate & Lyle

By Clay Harris

Tate & Lyle and Staley Continental were still engaged in negotiations yesterday in New York over the UK sugar refiner's $1.42bn (£753m) takeover offer for the US corn syrup group.

Tate's $35 a share tender offer was due to expire at midnight last night. Late on Wednesday, for the second consecutive day, Tate extended the offer for another 24 hours. Staley shares were trading at $37 yesterday afternoon.

Withdrawal of previously tendared shares, meanwhile, reduced valid acceptances of Tate's offer for ordinary shares to 2.8 per cent by Wednesday night. It owned nearly 5 per cent before launching the bid.

Suter raises Amari stake to 28.7%

BY PHILIP COGGAN

Suter, the acquisitive industrial conglomerate, has acquired a further 450,000 shares in Amari, a metals and plastics group. The purchase increases Suter's stake in Amari to 9.1m shares, or 28.7 per cent of the equity.

Suter also has stakes of 25.1 per cent in containers group Metal Closures and a 27.98 per cent stake in engineering group Newman Industries.

Amari's shares rose 3p to 174p.

BOARD CHALLENGED OVER LITIGATION AGAINST ERNEST SAUNDERS

Guinness faces claim from former chairman

BY LISA WOOD

Guinness is facing a potential claim by Mr Ernest Saunders, its former chairman, of between £2m and £3m for his alleged wrongful dismissal.

The size of the potential claim was disclosed yesterday at Guinness's annual meeting by Mr Jeffrey Littman, a barrister who said he was retained by Mr Saunders.

Mr Littman challenged the Guinness board over why it had not informed shareholders of Mr Saunders' possible claim of wrongful dismissal. He also questioned Guinness as to the cost of it pursuing its own action against Mr Saunders and asked why the drinks group was not taking similar action against Mr Olivier Roux, former Guinness finance director.

Mr Saunders informed Guinness last July that he would be making a claim for loss of earnings and ancillary benefits such as pension rights and the indemnity the other directors had against the costs involved in answering questions from the Department of Trade and Industry. No estimate was given at the time as to the size of his claim.

In January, the High Court refused to suspend the action against Mr Saunders by Guinness concerning a £5.2m payment made to Mr Thomas Ward, a former director of Guinness during Mr Saunders chairmanship. Guinness's action, if successful, would allow it to claim back from Mr Saunders any part of the money Mr Ward was unable to return.

But the High Court agreed to Mr Saunders' application that his counter claim against Guinness for wrongful dismissal should be suspended pending the hearing of the criminal charges against him. These criminal proceedings are not expected to start before next year.

Mr Littman said that shareholders had a right to know why Guinness was still pursuing Mr Saunders over the £5.2m paid to Mr Ward. Earlier this week, the Court of Appeal ruled that Mr Ward improperly received the £5.2m and that Guinness was entitled to get its money back.

Mr Littman said that if the money was paid back by Mr Ward Guinness would have no claim against Mr Saunders. He questioned why the Guinness board was still pursuing its action against Mr Saunders when it appeared that Mr Ward was not unable to pay back the £5.2m.

Mr Norman Turner of Landau & Landau, solicitors representing Mr Saunders, said after yesterday's meeting: "Even if there is an outstanding claim against Mr Saunders he has not got any money anyhow."

"Guinness appears to have given instructions to its lawyers to pursue actions against Mr Saunders but does not appear to have given consideration to the economics of the cost of such litigation or how much the company might stand to gain, assuming the action was successful."

Sir Norman MacFarlane, Guinness chairman, said, in response to Mr Littman's reqnest for answers to his questions: "I do not consider this meeting is an appropriate forum to discuss litigation which is not material to the accounts." He said Guinness had not isolated the cost of the litigation against Mr Saunders but it was not substantial. Referring to Mr Roux, Sir Norman said: "I do not think this is the forum to discuss the group's litigation strategy."

Sir Norman had earlier told shareholders that his board would only answer questions related to the report and accounts.

ABF sells W German supermarket

By Clare Pearson

THE WESTON family, which controls Associated British Foods, yesterday ended a twenty-three year interest in the West German supermarket business with the announcement that Deutscher Supermarket was being sold to a group of domestic investors.

Associated British Foods is selling its 40 per cent stake in Deutscher at a profit of some £51m and Wittington Investments of Canada, a holding company for the Weston family interests in Canada, is shedding its 60 per cent stake.

Mr Gary Weston, ABF's chairman, said the sale had represented a "unique" opportunity to dispose of a long-held trade investment, from which it had never received dividends as all profits were ploughed back.

Deutscher is about the eighth biggest operator chain in the fragmented West German supermarket sector, which Mr Weston said he saw as mature and heavily-regulated. ABF had never participated in the management of the company, which was its only supermarket interest outside the British Isles.

The stake is being sold on a multiple of more than twenty-five times earnings, Mr Weston said.

Bond moves into UK property market in Imry joint venture

BY PAUL CHEESERIGHT,PROPERTY CORRESPONDENT

Bond Corporation, the Australian conglomerate headed by Mr Alan Bond, yesterday effectively launched itself into the British property sector by taking a half share of Imry Merchant Developers' St George's Hospital development.

It is paying £30m for the share, its biggest British property investment so far, to bring its UK property interests np to a value of £50m. At the same time it has set up with Imry a joint company, Imry Bond, both to manage its existing assets and to pursue joint veotures.

The St George's Hospital project, nursed for over two years hy Imry, fits into the Bond criteria of high quality property developments. Situated at Hyde Park Corner in London's West End, it is planned to convert the historic building into a luxury hotel and build adjacent a 150,000 square feet office block.

"It is our intention to pursue quite actively the property business in the UK and the vehicle is the joint venture," said Mr Alan Birchmore, a Bond director. He noted that Bond lacked experience of the British property sector and that rather than starting from scratch, it made sense to form a joint venture.

Although Bond Corpporation is diversified internationally into other sectors its origins are in property.

For Imry itself, which has just completed a merger with City Merchant Developers, the arrangement with Bond gives it recompense for the time and money spent on bringing the St George's Hospital to the point of construction.

"For a company of our size, we should be rewarded for our labours to date and then take a good strong financial partner", said Mr Martin Myers, the Imry chief executive.

Imry expects the new joint venture company to be "a tremendous profit centre in coming years". Apart from the management of the Bond property assets, new projects will pursued and the first should be announced in the coming months.

Mr Bond and Mr Myers were brought together by Mr David Davies, who is chairman both of Imry and Hill Samuel, the merchant bank. The idea of a link between the two was first mooted last summer but then put on ice because of the October stock market crash. When Bond emerged unscathed and the UK property market remained buoyant, the idea was revived and the basic plan settled in 24 hours.

Consortium lifts EPIC offer

BY PHILIP COGGAN

Giltvote, a consortium led by Mr Stephen Wingate, yesterday increased its chances of winning control of Estates Property Investment Company by acquiring a 6.1 per cent stake in the company from UK Land.

The acquisition of the extra stake means that Giltvote has been forced to increase its bid for EPIC to 275p per share, the price it paid for the 1.5m shares owned by UK Land. Like its two previous offers – of 265p and 270p per share – Giltvote's new bid, which values EPIC at £67.3m, has been recommended by the EPIC board. The new offer expires on June 1.

The battle for EPIC began in January when Peachey Property made a 240p per share offer. Peachey subsequently launched an increased and final offer of 260p per share and acquired a 25 per cent stake in EPIC owned by London Securities.

The Giltvote consortium made its first bid in March. Mr Wingate, a former managing director of Wingate Property Investments, is backed by Eagle Star, Mercury Asset Management, Kleinwort Investment Management, Cigna and Mr George Soros.

UK Land further complicated the situation by building up its stake in EPIC in the midst of the bid battle. But UK Land has now agreed not to conduct any further dealings in EPIC's shares whilst Giltvote's offer remains open.

Following the purchase of the UK Land stake, Giltvote either owns, or has received irrevocable undertakings for 33.8 per cent of EPIC. It is likely to make an anouncement regarding its conditional acceptances today. Peachey owns 33.2 per cent of EPIC outright

Caird to acquire cleaner

BY PHILIP COGGAN

Caird Group yesterday made its largest acquisition yet in the waste disposal sector with the announcement of a recommended £7.2m offer for Wistech, a specialist cleaning and materials handling group.

Caird, which also has interests in property development, has bought several small waste disposal companies over the last few months.

It has also bought a 5.5 per cent stake in Leigh Interests, a quoted waste disposal contractor.

Wistech was the subject of a management buyout from construction group George Wimpey in 1983.

Caird is offering 40 of its shares for every 100 in Wistech, which is traded on the over-the-counter market.

On last night's Caird share price of 168p that values each Wistech share at 67.2p.

Bio-Isolates makes loss provision of £497,350

BY PATRICK DANIEL

Bio-Isolates, the struggling USM-quoted whey processing company, yesterday reported a smaller pre-tax loss of £168,700 for the year to end-December, against £482,700 a year earlier, but made an extraordinary loss provision of £497,350 because of unexpected problems at its Irish joint venture plant.

The company, which produces a protein isolate called Bipro from the cheese by-product whey, said the provision was for the termination of Mitchelstown Isolates. The provision represents the full value of its investment in the plant and the estimated cost of terminating the joint venture.

Bio-Isolates said the Mitchelstown management team had been "unable to achieve budgeted production volumes and cannot guarantee that Bipro produced at this site will meet international product quality standards."

Inclnding the extraordinary item, the total loss for the year was £666,000. This is Bio-Isolates' sixth annual loss since coming to the USM in 1982.

Total sales of Bipro doubled to £1.3m in 1987, but the amount attributable to Bio-Isolates was £500,700, marginally less than the previous year (£513,500).

The company said it remained cautiously optimistic that it could build on a good first quarter performance. It also hopes to exploit opportunities for its new product, Bipro-IG, an immunoglobulin concentrate used as a supplement for new-born calves.

The restructuring programme undertaken in connection with its recent £650,000 rights issue had been almost completed.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Caradon	fin	5.5	Aug 12	-	8	-
Concentric	int	2.34	July 1	1.95	-	6.5
English China	int	5.8‡	Sept 30	5	-	14.5
Hambros Trust	fin	3.5	-	3.8	5.5	5
Ldn. Atlantic	fin	5.75	-	5.15	7.85	7.25
Padang Senang	fin	1.35	-	1.1	1.35ǂ	1.1
Perpetual	int	0.8	-	0.8	-	2.5
Utd Scientific	int	2.7†	-	2.4	-	6.6
Vaux	int	5.4†	July 1	4.7	-	14.2
West'n Selection	int	1.7	July 6	1.5	-	3.4
Yorklyde	fin	5.5	-	4.8	8.25	7.55

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Carries scrip option – minimum 10.5p final intended. ǂFor 15 months.

UK COMPANY NEWS

Peter Riddell on the lobbying efforts of Rowntree and Nestlé

Sweet talk in the corridors of Westminster

A BATTLE for hearts, minds and taste buds is under way at Westminster between the supporters of Nestle', the Swiss food company, and the Rowntree chocolate group.

Not only has Rowntree sent every MP a half pound box of chocolates – to the amusement of many members, the irritation of some and the disdain of Nestle' – but executives of both companies have been meeting MPs.

This lobbying at Westminster could be as important for decisions as events in the City. The two key figures in determining whether the bid is referred to the Monopolies and Mergers Commission – Lord Young, the Trade and Industry Secretary, and Sir Gordon Borrie, the director-general of fair trading – are not Olympian figures sitting in judgement in some detached way. They not only talk to MPs, as both have this week, but they also listen to what is said at Westminster.

Many MPs are only too ready to be involved in the battle because of constituency interests – for instance, Mr Conal Gregory, Tory MP for York, the heart of Rowntree, and Mr Douglas Henderson, Labour member for Newcastle North, where the company has a large plant. There are many others with interests.

Yet, the activity is not spontaneous. Both sides have engaged lobbyists. Nestle' is using GJW, which has many contacts at Westminster and has a reputation for being quick at spotting the political angles. Rowntree is being advised by Hill and Knowlton and by Mr Paul Twyman, who formerly worked at the Department of Trade and Industry.

Their aim is both to persuade and to mobilise opinion. This involves a combination of briefing meetings, encouraging MPs to ask questions, sign motions and see ministers.

Nestle' started with the advantage of having the bidder's initiative. At Westminster meetings Mr Helmut Maucher, the company's managing director, impressed MPs with his plans for the future of Rowntree if the bid succeeded. However, even though Nestle' employes almost as many people in Britain (10,000 plus) as Rowntree (12,500), MPs have been slower to go public in its support. Sir William Clark, Tory MP for Croydon South, close to Nestle' UK headquarters, has been a rare exception.

By contrast, Rowntree appeared to be slow off the mark – to the irritation of many of its local MPs. But it is handicapped publicly by what it is allowed to say at this stage.

Helmut Maucher: has the bidder's initiative

Despite some scepticism about Rowntree's record, the company has been able to play some strong cards – on regional grounds with its head office and many plants based in the north, its reputation as an enlightened employer and the absence of reciprocity (given the bid-proof position of Swiss companies).

Supporters of Rowntree have dominated Commons exchanges. Parallel Tory and Labour motions backing Rowntree have attracted 150 signatories. Labour spokesman Mr Tony Blair has also been active on the issue. But, significantly, the party reflected its traditional industrial roots in choosing shipbuilding, rather than the bid, for a debate next week, even though shipyards now employ many fewer people than Rowntree alone.

The backers of Rowntree have an uphill task. Mr Kenneth Clarke, Industry Minister, was distinctly cool to their arguments on reciprocity on Tuesday.

However, a new front has been opened up with increased emphasis on the European dimension in view of the creation of the internal market after 1992. The vulnerability of British companies to non-reciprocal bids is the main theme of a motion tabled last night urging a review of mergers policy and a reference of the Rowntree bid. This is sponsored by Sir Giles Shaw, a former industry minister.

There has been confusion about where the Government stands with conflicting statements. A hint that mergers of British companies might be permitted in the larger European market, even though they create a domestic monopoly, was given by Mr John MacGregor, the Agriculture Minister, and was seen by some as tacit encouragement for a deal between Rowntree and Cadbury Schweppes, itself under threat from General Cinema of the US.

Ahead of last night's speech from Lord Young offering clarification of competition policy, the MPs backing Rowntree were claiming signs of a ministerial reappraisal. Mrs Thatcher left the issue more open yesterday by referring to public interest as well as competition grounds.

With Nestle' and Jacobs Suchard having a combined stake of around 43 per cent, time is running out. A reference to the Monopolies and Mergers Commission is being urged in part to allow time for any alternative deal to be put together.

The main result of the lobbying is to leave ministers in no doubt that, as usual in the Commons, the balance of opinion lies with the defence of existing interests.

Investment income helps boosts Vaux 33% to £9.7m

BY CLARE PEARSON

Vaux Group, Sunderland-based brewer and hotelier, yesterday announced interim pre-tax profits up 33 per cent to £9.71m and disclosed that a vehicle of Sir Ron Brierley, the New Zealand entrepreneur, had built up a 2 per cent stake in the company.

Mr Paul Nicholson, chairman, said the holding, which had been discovered through enquiries made under Section 212 of the 1985 Companies Act, did not seem to have been increased since the end of last month. The stake of 1m shares is held by Industrial Equity (Pacific), which has holdings in a number of UK companies including Scottish & Newcastle Breweries.

Investment income earned on the proceeds of last year's £35m rights issue helped fuel much of Vaux's profits advance in the six months to March 19. Turnover was 9 per cent ahead at £87.45m (£80.05m).

By the year end, investment income of £431,000 (which compared with a £945,000 charge last time) should be transformed into a modest net charge as funds are ploughed into hotels, Vaux said.

The interim dividend is lifted 15 per cent to 5.4p (4.7p) and Vaux forecast a final dividend of not less than 10.8p.

Trading profits of £8.59m (£7.65m) broke down into £4.65m (£4.25m) for breweries, £3.85m (£3.24m) for Swallow Hotels, and £530,000 (£528,000) for wines and spirits.

Regarding Swallow, Mr Nicholson said the newly opened hotel at Waltham Abbey was already trading profitably in its first few weeks and a further hotel at Peterborough will open next month. Hotel pre-opening costs will have amounted to more than £400,000 in the current year of which £178,000 have been charged against first-half profits.

Beer sales were marginally ahead, with a fall in draught ale offset by higher volumes in lagers.

Retail sales and profits of wines and spirits, also based in the north-east, were buoyant in the first half and Vaux bought a further 18 shops in February.

● comment

The rise in Vaux's share price to 585p at yesterday's peak reflected relief that rumours of Sir Ron's stake in this hoariest of bid targets had been confirmed. Bid speculation went into a lull when Wolverhampton & Dudley sold its five per cent stake a year ago, after Vaux had announced its £60m rights and loan stock funding exercise. Attention will now again focus on the company's worth on break-up – one analyst calculates that the sale value of the hotels side alone equates to the share price's recent levels. As far as trading performance goes, yesterday's figures showed Vaux putting up a defensible showing in the difficult north-east beer market, and the deal with Labatt shows willingness to build up the more promising lager side. Swallow Hotels is developing well, though the outlook is slightly clouded by the question mark hanging over the dollar and so over bookings from US tourists this summer. Pre-tax profits for the full year of £25m look possible, putting the shares at last night's close on a prospective p/e of about 15.5.

UK COMPANY NEWS

Better weather helps ECC to 39% halftime increase

BY CLAY HARRIS

English China Clays, the industrial minerals and construction group, yesterday reported interim pre-tax profits of £59.9m, a 39 per cent advance, but warned that the pace of growth was unlikely to be maintained in the second half.

Sir Alan Dalton, chairman, said construction activities especially had benefited from "kindlier winter weather." Overall, he said, order books were full and there was no sign of slackening demand in any market.

The pre-tax rise from the previous £43.1m came on turnover 22 per cent ahead at £417.5m (£341.5m) in the six months to March 31. Currency fluctuations reduced profits by £1.3m, as did a change in accounting for depreciation.

On earnings per share of 18p (13.89p), ECC raised the interim dividend to 5.8p (5p) and forecast a final pay-out of at least 10.5p (9.5p).

In the international division, comprising china clays, calcium carbonates and other industrial minerals, sales were boosted by demand from the lightweight coated sector of the paper industry. Profit rose to £37.2m (£31.2m) on 19 per cent higher volume.

Construction contributed £14.4m (£5.3m), of which ECC's 29.3 per cent stake in Bryant Group, the Midlands housebuilder and property developer, accounted for £6.7m (nil). ECC's own operations sold 565 houses at an average price of £52,000. Commercial land sales brought profits of £900,000 (£2m).

Profits from quarries rose to £13.8m (£9m), despite an expected seasonal loss of £900,000 from the Minnesota-based acquisition J.L. Shiely. Among additions to capacity, an expansion at Croft in Leicestershire was due to begin operation in mid-summer.

The contribution from drilling fluids fell to £800,000 (£1m), as "murderous price cutting" in the sector prevented achieving any benefit from higher turnover, Sir Alan said.

Overseas expansion is increasing the tax charge with £21.3m (£14.9m) estimated for the first half and a rate of 36 per cent forecast for the full year.

● comment

ECC carefully avoided making heavy weather of the mild winter, but the improved volumes from quarries and clay pits clearly benefited from better conditions. More important, however, was the categorical denial of any sign of weaker demand for its main mineral products. This may not last forever, of course, but ECC was confident enough to raise prices by 4 per cent – double last year's increase. Yesterday's figures were especially encouraging because the expected benefits of US acquisitions have not yet begun to show through. On housebuilding, Sir Alan predictably parried the inevitable question – "Our policy on Bryant is quite clear, it's totally opaque" – but odds have lengthened against a new bid. ECC's own share register, meanwhile, shows no signs of any predatory stakebuilding. The dividend forecast, a departure from past practice, was more curious. By signalling a prospective yield at 5 per cent, ECC may be preparing shareholders for an acquisition-linked issue. Full-year profits are heading for £145m, putting the shares on a prospective p/e of 10.

Hoskyns expands software side

BY PATRICK DANIEL

Hoskyns Group, the fast-growing computer services company, is to pay up to £13.3m to acquire three software companies in a move to capture a bigger slice of the mid-range IBM computer market.

The three companies are Insight Database Systems, Insight Software (Export) and the Dublin-based Vector Software.

All three specialise in IBM's smaller computers, particularly the System/38 machine. Their range of software products include a widely-used financial management system and e soon-to-be-launched software package for stockbrokers.

The three companies had a combined operating profit of £1.1m in 1987 on turnover of £6.8m.

Hoskyns, a specialist in "facilities management" – managing a company's in-house computer facilities – said the acquisitions would bring to the group an extensive customer base.

But Mr Geoff Unwin, managing director, said e key reason was IBM's likely introduction of a new and more powerful mid-range machine – expected by the industry to happen this year.

Hoskyns sees in this significant growth opportunities as it will provide existing users an "upgrade path" and an alternative to investing in a larger mainframe computer.

As initial consideration, Hoskyns will pay £500,000 cash and issue 3.45m new shares, of which 1.6m have been placed with institutional investors to raise £3.9m for the vendors.

A deferred cash payment of up to £4m will depend on profits of the two Insight companies in the next three years.

In Hoskyns' maiden year since its listing on the stock market in December 1986, it returned a pre-tax profit of £6.5m, up 44 per cent, on turnover of £79m for the 13 months to end-October 1987.

The group recently won a £42m contract to manage the London Residuary Body's central computer service.

RTZ sells Everest and finance arm for £80m

By Vanessa Houlder

RTZ Pillar, the automotive, construction and aviation products subsidiary of RTZ, yesterday announced the sale of Everest, the UK's leading double glazing company, for £31.9m to Caradon, the building products group.

In a related transaction, Comfort Finance, which provides consumer finance for Everest, is being sold to Forward Trust, the finance house subsidiary of Midland Bank, for £48m.

Everest represents about 10 per cent of RTZ Pillar's activities. It is being sold because its emphasis on direct selling and installation work does not fit in with the division's future plans.

Mr Antony Hichens, chairman of Caradon, said that the Everest purchase is in line with Caradon's strategy of specialising in building products with well known brand names. "We can arrest the decline in market share of Everest and we have the marketing skills and plastic technology to make it a more profitable business," he said.

The payment for Everest will take the form of 6.7m new Caradon shares and the remainder in cash from the company's own resources. The new shares will be placed at 280p a share but will be available for purchase by existing shareholders. Everest's turnover for 1987 was £118m. The pro-forma profit for 1987 would have been £6.6m.

The Comfort Finance business has an asset value of about £50m, comprised mainly of consumer loans to purchasers of Everest double glazing products.

Interest cut pushes Caradon over £20m

BY VANESSA HOULDER

Caradon, the building products company, has unveiled e 36 per cent increase in operating profits to £21.9m and a 95 per cent advance in the pre-tax balance to £20.7m (£10.6m) for the year ended April 3 1988. It also announced the proposed acquisition of Everest, the UK's leading double glazing manufacturer, in e deal worth £31.9m.

Mr Anthony Hichens, chairman, described Caradon's results as "very satisfactory". It had been a benign market for the British building sector, he said. Prospects for the present year were good, helped by tax cuts and the mild winter which increased housing starts, he added.

Sales increased by 20 per cent to £170.4m (£142.1m) as a result of a 5 per cent price increase and higher volumes across all divisions. These factors, together with cost reduction and containment of overheads, led to the increase in operating profits.

Interest charges fell sharply to £1.2m (£5.5m), principally as a result of flotation proceeds, helping the pre-tax profit to its significant increase. Caradon was formed through a £61m management buyout from Reed International in 1985 and was floated on the stock market last July.

The analysis by division showed that Caradon Plastic Building Products made operating profits of £7.7m (£5.4m), Caradon Mira, the shower maker, £6.1m (£4.5m), Caradon Twyfords, bathroom fittings manufacturer, £5m (£4m), Caradon Plastics, which is comprised of Terrain plastic plumbing systems and Celuform, plastic timber systems made £3.1m (£2.2m).

The company had net cash at the year end of £11.5m, reflecting flotation proceeds together with £19m generated from the business.

Earnings per share increased by 64 per cent to 26.6p. The final dividend is 5.5p, making a total of 8p.

● comment

Neither the Everest deal or the good results were unexpected but, with the help of a sparkling presentation, the share price moved up 20p to 325p. Everest, which is being bought on an exit multiple of 7.4, is certainly inexpensive, yet a glance at its recent trading history reveals the reason why. In spite of market growth of some 11 per cent per annum, Everest's sales have drifted downwards, pulling its market share down fom 11 per cent to 6 per cent over the past five years. This, Caradon blames on weak marketing, a slowness to adapt to market trends and a poor product mix. By getting these factors right and cutting costs, Caradon believes it can boost Evered's margins from the present 6 per cent to 10 per cent - that of its main rival, Anglia. Caradon's management has done this kind of trick before and the City tends to share its confidence. For the present year, analysts are looking for profits of £31m which puts the shares on a fair rating of 10.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Crystalate, Imperial Cold Storage, Multitrust, Overseas Investment Trust.

FUTURE DATES

Interims-	
Holmes & Marchant	May 25
Sturge	June 7
Virgin	May 18
Whatway	May 23
Finals-	
Glaves	May 16
Meyer International	June 21
Powell Duffryn	June 2

Concentric up 14% and confident

AS FORESHADOWED in the chairman's statement at the annual meeting in January, Concentric built on an encouraging start to the current year, and in the six months to March 26 1988, lifted pre-tax profits by 14 per cent to £2.61m.

Mr Tony Firth, chairman of the West Midlands-based controls and pumps manufacturer, said second half prospects were good despite a disappointing performance by the controls companies. Problems in the division had now been addressed, he said.

Turnover expanded 38 per cent from £31.15m to £43.04m. After tax of £914,000 (£802,000), earnings per 10p share worked through at 8.76p, up from 7.72p last time. The interim dividend is lifted to 2.34p (1.95p).

Concentric's position as a major supplier of components to the gas industry would be reinforced by the group obtaining a worldwide patent for a gas flame safety control which offered opportunities for European exports, Mr Firth added.

He also expressed confidence over Concentric's involvement in the burgeoning market for satellite dishes. The group's production of its "extremely efficient" domestic dish "represented an excellent opportunity for Concentric to be part of e market which is expected to grow rapidly".

Western Selection down

Profits before tax at Western Selection fell from £1.2m to £911,000 in the half-year to March 31 1988, on turnover up from £6.79m to £7.51m.

The directors said the market crash reduced the contribution from sales of investments by £110,000 and there was also a £98,900 reduction in the amount of provision released on the investment portfolio.

The interim dividend is being raised to 1.7p (1.5p) to reduce disparity between payments.

Deutsche Bank
Aktiengesellschaft
Frankfurt am Main
(Incorporated in the Federal Republic of Germany with limited liability)

Notification of Dividend

The Ordinary General Meeting on May 11, 1989, has resolved to distribute the distributable profit of tha financial year 1987 being DM 425,431,512 and has approved the payment of
a dividend of DM 12 per share of DM 50 par value.

The dividend will be paid less 25% capital yield tax against submittal of Dividand Coupon No. 49 at one of the paying agents listed in the Fedaral Gazette (Bundesanzeiger) of the Federal Republic of Germany No. 90 dated May 14, 1988. In accordance with the English-German Doubla Taxation Agreement of November 26, 1964, es amended in tha protocol of March 23, 1970, the German capital yield tax is reduced from 25% to 15% for shareholders resident in Great Britain. To claim this, shareholders must submit an application for reimbursament within four years from the due date.
This application is to be eddressed to the Bundesamt fuer Finenzen, Friadhofstrasse 1, D-5300 Bonn 3.

Under the German corporation tax system effactive as of January 1, 1977, a tax credit amounting to 9/16 of the dividend declared is linked to the dividend. However, shareholders resident outside the Federal Republic of Germany end Berlin (West) are not entitled to this tax credit.

In Great Britain payment will take place through the following banks:
Deutsche Bank AG, London Branch, 6, Bishopsgate, London EC2P 2AT,
Midland Bank plc, International Division, Securities Department,
St. Magnus House, 5th Floor, 3 Lower Thames Street, London EC3R 6HA.

The dividend payment in Great Britain is made in Pound Starling converted from Deutsche Mark at the rate prevailing on the day of submittal of the dividend coupon.

Frankfurt am Main, May 1988

Board of Managing Directors

THE BEAUFORD GROUP P.L.C.
RESULTS IN BRIEF

Year ended 31st December

	1987 £000	1986 £000
Turnover	13,701	10,172
Profit before Taxation	1,218	1,047
Dividends	4.0p	3.5p
Earnings per share	11.9p	10.0p

Salient points from the circulated statement by the Chairman Mr. Geoffrey Crawford.

- Turnover and Pre-tax Profits increased by 35% and 16% respectively.
- Earnings per share increased by 19% and recommended total dividends for the year by 14%.
- In the light of current orders and prospects the Board views the future with confidence.

Copies of the Report and Accounts are available from:
The Secretary,
The Beauford Group P.L.C., Beauford House,
Serpentine Road, Cleckheaton,
West Yorkshire, BD19 3HY.

INTERNATIONAL ISSUE
COMPAGNIE INDUSTRIELLE
DES TELECOMMUNICATIONS
C.I.T. ALCATEL
FF 200.000.000
10 1/4 % Convertible Bonds due 1991
CHANGE OF CORPORATE NAME

We inform the bondholders that "C.I.T. - ALCATEL" has changed its corporate name to "COMPAGNIE FINANCIERE ALCATEL".

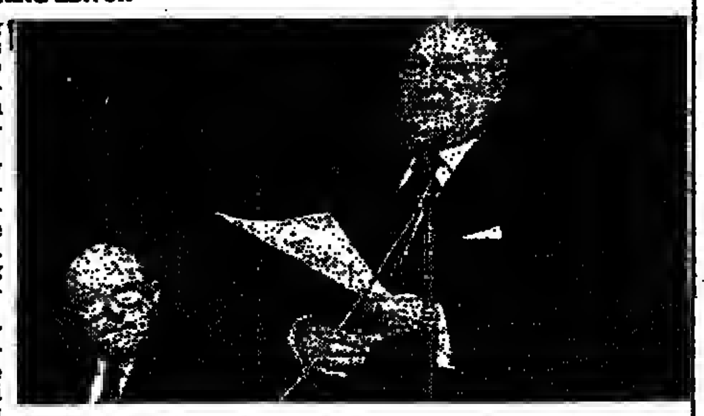
The bonds will be listed at the Luxembourg Stock Exchange under the following designation: "CIT ALCATEL (Actuellement COMPAGNIE FINANCIERE ALCATEL)".

This change of corporate name is made without any stamp on the bonds nor exchange of bonds.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
Luxembourg Branch

Standard Chartered plans rights of up to £300m

BY DAVID LASCELLES, BANKING EDITOR



Sir Peter Graham, chairman (right), with his deputy, Sir Lesley Fletcher – market conditions will dictate timing.

Standard Chartered, the banking group which suffered serious losses last year, expects to go to tts shareholders with a £200-£300m rights issue soma tima after its interim results in mid-August.

This was confirmed yesterday by Sir Peter Graham, the chairman, and Mr Bill Brown, managing director, in comments made after the group's annual meeting. Sir Peter said the precise timing would be dictated by market conditions.

The meeting was notable for the absence of Standard's major shareholders, the three "white squires" – Mr Robert Holmes á Court, Sir Y.K. Pao and Tan Sri Khoo. Nor were there any questions from the shareholders who did attend about the bank'sperformance in a year which saw record losses and the resignation of its chief executive, Mr Michael McWilliam.

Mr Brown said the group intended to raise its ratio of equity to asset from 3.6 per cent to 5 per cent. Part of this could be achieved through retained earnings. But the bulk would have to come from a rights issue.

Although the group is not making an earnings forecast at this stage, its revenues were on budget in the first three months, and the bad loan situation had improved.

Last year, Standard Chartered incurred a pre-tax loss of £274m because of poor controls in part of its operations, and Third World loan provisions. Since then it has restructured its management, cut loss-making operations and sold assets to raise capital.

Standard Chartered is trying to clarify the position of Mr Holmes á Court, who has 14.9 per cent, and is a group deputy chairman. Mr Holmes á Court recently sold most of his interest in his Australian business empire, the Bell Group, through which he owns his Standard Chartered shares. Sir Peter is expected to have a telephone discussion with Mr Holmes á Court in the next few days.

Sir Y.K. Pao, the group's other deputy chairman, was not directly represented at yesterday's meeting. However Mr Peter Woo, his son-in-law, said of the action that had been taken to improve Standard's business: "It is right and we shall see what happens."

Shareholders yesterday approved the sale of Union Bank, the group's California subsidiary which is being disposed of as part of the capital-raising exercise. The document on the sale disclosed tbat Mr McWilliam had received £265,000 and improved pension benefits in connection with his resignation.

Utd Scientific tops £5m despite loss on overseas contract

BY ANDREW HILL

United Scientific Holdings, the defence equipment manufacturer, increased pre-tax profits by nearly 30 per cent to £5.35m for the six months to March 31, against £4.12m in the equivalent period of the previous year. Turnover increased by just £1.8m to £62m.

Avimo (Taunton) incurred losses of about £1m as a result of *technical and cost problems* with an overseas order for an electro-optic gun-sight system. Tha losses were offset against UK profits and the company's tax rate dropped from 22 per cent to 10 per cent.

Mr David Fraser, chief executive said, nine out of the ten companies in the group had met or exceeded hudgets and order books had stood up particularly well to increased competition. Pressure on international defence budgets meant contracts were being delayad and fewar advanced payments made, he said.

Mr Fraser added that the fluctuation of the currency markets still concerned the company. About 35 per cent of USH's profits are made in the US, Singapore and Egypt and profits in the first half would have been about £1m higher hnt for the strength of sterling. Consolidated earnings from overseas and income from dollar-based contracts were both affected.

An improved first half from the 65 per cent-owned Avimo (Singapore) led to an increase in minorities from £253,000 to £627,000. The first payment of dividends on the 5.5 per cent convertible preference shares issued last year amounted in total to £791,000.

Consequently, growth in earnings was held back sligbtly, despite the low tax charge. Fully diluted earnings per share were 6.3p, compared with basic earnings of 5.5p in the first half of 1986-87.

USH is paying ? a interim dividend of 2.7p (2.4p

● comment

Yesterday's announcement of problems with a high-technology contract at Avimo (Taunton) caused some concern in the City, especially since USH had recently declared its ambition to expand in this field. The announcement persuaded analysts to downgrade their forecasts for the full year from as much as £20m to about £15m before tax. In the tong term, profits could be boosted by the addition of Varo, tbe Dallas night-vision equipment manufacturer with which USH is hoping to merge, although the immediate cost of integration would be a strain. If USH pays a sensible price then this would have the side-effect of buoying up tbe shares. A more plausible explanation for the firmness of the share price yesterday – down only 2p at 163p – is the possibility of a bid. *STC, GKN, Thorn* and *Pilkington* have all been mentioned as possible predators, but the dullness of the defence industry at the moment and the unwillingness of clients to commit themselves to major contracts might deter them. The shares seem reasonably-priced on a prospective multiple of about 10.

ROUND-UP OF ANNUAL MEETINGS

Iceland reports buoyant sales

Sales of Iceland Frozen Foods have expanded by some 38 per cent in the current financial year, Mr Malcolm Walker, chairman, told yesterday's annual meeting in Deeside, Clwyd.

The out-of-town location was chosen to enable shareholders to see how the group's complex at the site had developed. Iceland gained advantages in efficiency and economy in operating from a single central depot, he believed.

Iceland had opened six new stores this year, all of which had proved successful. The gronp plans to open around 25 outlets by December.

T&N

Chairman said orders at both home and abroad had continued at a high level despite the effects of a strong pound. The group's gearing places it in a strong position to further develop in Europe and the US via acquisition.

Blackwood Hodge

The group's acquisitive programme in North America and Australia was bearing fruit and recent purchases were generally performing well, said Mr Arthur Richards, chairman. Demand in North America had increased despite the current weakness of the dollar. Major group companies were enjoying healthy order books and activity levels not seen in recent years – albeit at margins yet to stabilise at satisfactory levels.

Bunzl

Overall level of activity within tha group was high and first quarter profits were ahead of hndget said outgoing chairman Mr Ernest Beaumont. Mr James White, chief executive, has taken over as chairman.

Ruberoid

Current year profits were ahead of budgets and suhstantially ahead of last year, chairman said. Next year would see a full contrihution from group's stake in Nebiprofa and 8 months contribution from the additional holding in Norwich Corrugated Board.

S. Jerome

All divisions had operated at full capacity in the first four months of the year, chairman told shareholders, and new weaving machines had proved even more successful than expected. Sales were well ahead and new order input for both textile and electronic sides was "significantly greater".

Cambridge Electronic

Chairman said order intake continued to exceed both the level of 1987 and tha company's hudgets for the current year. Production of Graseby Ionics' chemical agent monitor was steadily building up to serve existing orders from the UK and North America, and there had been initial orders from other countries. Graseby Medical was set to launch its patient control analgesic in the US shortly. Total US market for the product was currently worth some $20m (£10.5m) per year.

Appleyard

First four months of current year showed a "very strong trading performance throughout the group" said Mr Ian Appleyard, chairman. Chiltern Motor Holdings and Union Trucks, hoth recently acquired, had made good contributions.

CRH

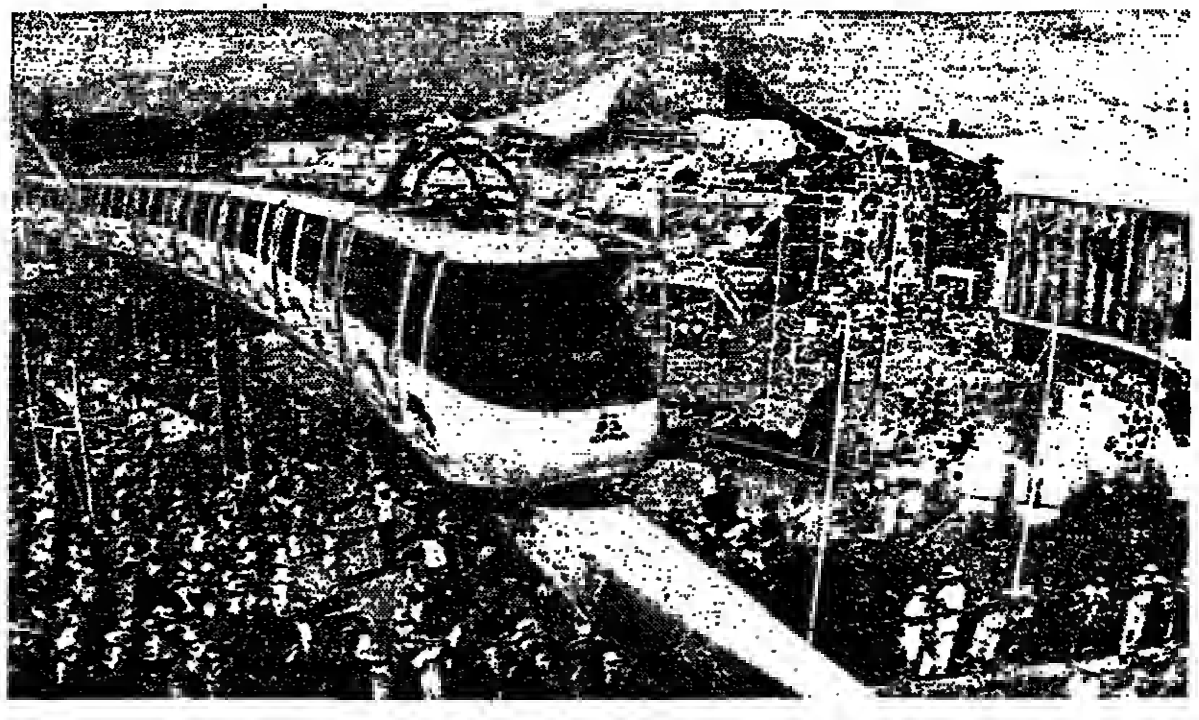
Mr Des Traynur, chairman, told meeting in Dublin that first four months had proved satisfactory overall. Total acquisitions since the year-end involved a direct investment of I£27m (£22.8m) and further opportunities were currently under evaluation.

اهداء من الاهل

TECHNOLOGY

Chris Sherwell explains why Expo 88 has more to do with fun than understanding

Nice video, shame about the tech



WHEN the organisers of Expo 88 decided on Leisure in the Age of Technology as the theme, they gave plenty of scope to the 52 governments and 20 or so corporations, from 43 countries, exhibiting at Brisbane.

Yet it is immediately obvious to any visitor to this latest world's fair that the emphasis is more on leisure and "having a good time" than on technology and the way it has transformed our lives.

There is no equivalent to the sewing machine unveiled at the first exposition at Crystal Palace in 1851, nor anything to parallel the wonders of television, tape recorders, nylon and plastics which graced the New York fair in 1939.

Indeed, there is not even an Eiffel Tower (Paris 1889) by which to remember it. Instead there will be a large amusement park – impressive and entertaining, no doubt, but hardly durable and hopefully not too symbolic of the times.

For the poorer countries, the emphasis on leisure has, probably rightly, been translated into tourism, the world's fastest growing leisure industry, and into traditional craftwork.

By contrast, the rich countries and the technology-oriented corporations have had to resort to their imaginations. Should their technology he on display for its own sake? Or must it he linked to leisure?

The most seamless connection is achieved by the US, followed closely by Japan and Britain. The US pavilion's theme, Sport and its Science, is a brilliant blend of leisure and technology, ingeniously pitched at one of the first loves of the predominantly Australian crowds.

The display leaves no one in any doubt that those with more leisure time on their hands have a greater choice of activity than ever. More important, however, is the demonstration of how science and technology have played a crucial role in improving athletic performance. The subliminal point is that, as with the commitment to space exploration, science in sport has yielded spin-offs to ordinary mortals in their daily lives.

In the case of Japan, there is also n subtle message. In essence it pleads: "Do not see us as workaholics and gadget freaks." Thus, the Government's exhibit concentrates on customs and culture, rather than bombarding the audience with high-tech hardware.

The theme, Harmonising Tradition and Technology, says it all. In one display, a miniature model of old Tokyo is cleverly animated by three-dimensional figures, created using special projectors and half-mirrors. It is set – appropriately in Australia's bicentenary – 200 years ago.

The British exhibit, by including n new type of simulator accessible to large numbers of people, succeeds in showing how modern technology can be adapted for leisure. This is entertainment on a different scale and of a *different quality* from, say, the video game.

Then there is Switzerland. In unexpectedly bold style, n new type of ski-lift runs outside and inside its pavilion. Inside, a steep ski slope, thickly coated with artificial snow, winds its way from top to bottom. Both are proving highly popular.

The most used technology at Expo, however, is not only impressive but also, ironically, the least noticed. It has been installed by the organisers to help the tens of thousands of people pouring in each day to see the fair.

First, there is Expo Info – eight kiosks dotted around the 40-hectare site, each containing seven easy-to-use touch-screen displays giving visitors information about the fair. Instead of pounding a keyboard, the user presses a plastic, infra-red sensitive "grid" lying over the face of the monitor.

The technology is not new, but the Expo adaptation is remarkable. This is not the simple sort of directory system you may have seen helping customers make withdrawals from hank accounts. It has a massive database about Expo and incorporates video.

In both Japanese and English, it dispenses information in words, pictures and sound about the pavilions and exhibitors, the daily entertainment (some 20,000 events in the six months to the October close), food and drink outlets and transport facilities. Old and young alike cannot resist it.

Second, there is Lostots, a network which combines personal computers, video cameras and communications systems to re-unite lost children with their parents. Each lost child is taken to one of five centres where, with the help of the system, he or ehe can see and speak to the distressed parents in another centre. On opening day at Expo, when 110,000 people attended, about 40 lost children were reunited with their parents.

Third, the Expo authority has developed new security arrangemeots for its ticketing and entry system. This followed the discovery that the Vancouver Expo in 1986, despite having a larger than expected attendance, suffered a heavy financial loss because of ticket fraud.

To nvold this, the Brisbane organisers decided to target their security efforts at Expo staff workers and season ticket holders. Each pass and ticket has a photograph, a bar code which allocates it to the individual holder and a backing sensitive to ultra-violet light. This is enmeshed in a plastic wallet which forms a seal with the paper of the ticket.

So what is less than perfect about Expo? For one thing, some exhibits are downright disappointing (the European Community's, for example). Many are notable for what they exclude rather than include: no digital audio tape recorders from Japan; very little technology from the Soviet Union; as for space, that is in the Queensland pavilion, of all places, because the state has half an eye on the proposed development of a space port at its northern end.

A second odd feature is the lack of technical explanations for the curious visitor. Try to find out what that artificial snow really is, or how a laser disc is made, or the effort that went into making the robots dance, and yon must go to some trouble. Understanding technology is, nnfortunately, not a central part of this fair.

Finally, it is remarkable how many exhibits depend on audio-visual presentations to make an impact. There seems to be no more ubiquitous symbol of our age than the screen and no better confirmation of our increasingly limited attention span.

Look for the traditional leisure pursuits – literature, music, art – and you will not find much et the Brisbane Expo. Yet their popularity undoubtedly endures. Why else would the Vatican treasures (its first Expo exhibit) attract such large queues?

Another question which mnst be asked is whether the world is suffering from Expo fatigue. Brisbane's is the fifth Expo this decade, the eleventh since 1958. Between 1851 and 1958, there were just 12. Now Japan plans an International Expo of Greenery and Garden in 1990, and a Universal Expo is set for Seville in 1992.

BRITAIN: SIMULATING A SPORTS DREAM

COMMISSION 20 hours of video film on life in Britain. Edit it to 108 minutes. Put it on laser disc. Show it through 100 television monitors mounted on an inverted pyramid in a chamber of mirrors. Place the audience on a revolving floor. Bring up light and sound. The result: an eight-minute kaleidoscopic mind-boggler called the Crystal Cone.

However, this centrepiece of the British pavilion is not the outstanding example of technology. That title goes to the Super X Prokon, a simulator for the entertainment industry.

The idea is to put people in a situation *they normally only dream of.* Last week it was a seat in the Isle of Man car rally. But by changing the video programme, it can be a ride on a motorcycle or a bobsleigh.

The simulator occupies 300 sq ft of space and weighs $1\frac{1}{2}$ tons. It accommodates 15 people and is simple to operate. Software programmers have co-ordinated the visual sequences with a multi-axis hydraulic system, which moves the simulator capsule. The effect is enhanced by a soundtrack and air circulator.

A Hall of Inventions houses the best of UK leisure products. These include the Wizard hydrofoil (a light sailing boat which lifts out of the water at speeds above nine knots), the Shadow microlight, which flew from Britain to Darwin this year, and a lightweight cycle made from magnesium.

Among the models is Hotol, the proposed space aeroplane which will fly from London to Sydney in 45 minutes.

A computer system with an archival database enables people to trace the birthplace of British ancestors.

JAPAN: HIGH DEFINITION TV STEALS SHOW

THERE IS no doubt about the highlight of the Japanese exhibition at Expo: high definition television. The main pavilion has three giant screens, each 8m wide and 1.7m high.

Each screen has 1,125 scanning lines, nearly twice the 625 on a conventional television, and carries five times the amount of pictorial information. The overall result is a picture of astonishing clarity and sharpness.

During Japan Week in July, there will be the first live satellite link using high definition television. NHK, the company behind the technology, says video recorders and video disc players *for home* use are also under development. The three screens in the exhibit, with 18 slide screens, show traditional Japanese leisure activities through the four seasons.

Restraint is again apparent in the demonstration of antomation. Two resplendently dressed factory robots perform a Lion Dance lasting some 10 minutes. But the sign nearby tells of the dance, not the engineering and programming feat involved.

Next door, in the Japan Technoplaza, you hear the melodious sounds of an acoustic guitar, hut you see a robot playing it – with six right-hand fingers and 73 left-hand ones.

Fujitsu, in its corporate stand, is more aggressive. It too has a musical duet by a pair of precision robots, though the hlasé andience seems unimpressed. Far more popular is a 3D computer-generated movie comprising 45,000 images shown on a gigantic roof screen. Created by 15 people working for 14 months, it tries to tell the story of the universe and evolution in 10 minutes.

THE US: SCIENCE HELPS OUT WITH COACHING

HAD A bad day *on* the golf course recently? Perhaps your swing is letting yon down. Yon can find out using equipment being demonstrated in a corner of the US pavilion.

All yon do is hit the ball. In those few instants, ultra-sensitive light sensors monitor your swing, your club's contact and your follow-through. A high-performance computer processes the information into read-outs which tell where your faults lie.

The device is one of several US products showing how science and technology have helped sports enthusiasts to improve performance and reduce *injury. Another is a radar gun* which allows aspiring pitchers to see how fast they can throw a baseball. The fastest professional pitchers manage more than 160km per honr.

If you find exercising at home boring, the pavilion offers many new ways to maintain enthusiasm. A rowing machine allows you to compete against rival scullers with the belp of a colour video screen. It is just like a video game: helicopters snddenly deliver additional rowers to strengthen the opposition, then sharks chase them.

Perhaps the most revealing part of the US exhibit tells the visitor how sports equipment has evolved. A display of ancient and modern tennis rackets and balls, running shoes and ski-boots, and even yacht keels, shows *how technology has* been applied to improve achievement. In the case of the shoulder pads and helmets used in American football, it is also a sobering reminder of how aggressive sports contests have become.

Dispensing with drugs wastage

By Alan Wraight

THE DRUG trolleys being wheeled past the 650 beds at the Hope Hospital in Salford, near Manchester, are unlike those in most UK National Health Service establishments.

Gone is the clntter of brown bottles full of tablets and capsules. Instead, neat rows of open-topped boxes play host to plastic sachets containing the exact medication for each patient.

These sachets are the end product of a new computer-controlled medication dispensing system under trial in the hospital's pharmacy department. Computerised *systems of this type have* been in use in Japan for 15 years and in the US for a decade. But this is the first such trial in the UK.

The machinery at Salford, known as the ATC 212, was supplied hy Baxter Healthcare, British subsidiary of Baxter Travenol of the US. The company says its advantages over manual dispensing methods include:

- Improved hospital manngement information. The computer keeps a record of drugs used and enables costs to be attributed to a patient, a ward or a consultant.

- Less wastage. The normal method of dispensing medication often results in drugs being left over when a patient is discharged. "In wastage alone, ATC systems in the US have resulted in average cost savings equivalent to between £2,000 and £3,000 a month," says David Price, project manager of the Hope Hospital trials.

- Time savings. Bottles no longer have to be filled and nurses are freed from searching for the patlent's medication. There is also less chance of the wrong drug being given.

The ATC in the Hope's pharmacy department consists of two units – a computer, with software written by Baxter Travenol, and a unit dose machine made hy Sanyo of Japan.

Sanyo's equipment takes its instructions from patient records keyed into the computer. The unit dose machine consists of 212 canisters containing tablets and capsules. The canisters, opened and closed hy electric motors, dispense medication into a strip of plastic bags which are then automatically heat sealed and labelled. The sachets are then separated manually.

MANAGEMENT

INSIDE EDGE

An innovator who believes that IBM needs him

Terry Dodsworth explains how Michael Dell, one of the US's youngest entrepreneurs, is blazing a very individual trail in the computer industry

MICHAEL DELL is a prototype of the new generation of US computer industry whizz kids. He is enthusiastic, ambitious, full of ideas and, at the tender age of 23, already a wealthy man. He also runs n company that has grown at a blistering pace in its brief four years of existence; and he is going international as fast as his finances will let him.

Beguilingly unassuming in conversation, Dell has already become something of a hero figure in the US.

At the age of 13, as a schoolboy, he started his first business buying and selling stamps. A couple of years *later, he* gave a new meaning to the job of paperboy, when he hired his classmates to check up on marriage licences at the local City Hall, and then sent trial newspaper subscriptions to newly weds. This innovative marketing technique is said to have brought him *so much extra business* that he was able to buy a car out of the proceeds.

From an early age, he was also a computer hobbyist, and at 19, after years of tinkering with machines, he started his own personal computer business. Since then turnover at Dell Computer has jumped to \$159m (£85m), generating net profits of \$9.4m last year, while the employee headcount has jumped from 150 two years ago to 650.

Inevitably, however, growth on this scale has also prompted *a barrage of* questions. Can the pace of expansion be sustained? And how vulnerable is the company in n business as fiercely competitive as personal computers?

Two issues underlie these questions. The first is a general one about the nature of the personal computer market, a business which is unmistakably led by International Business Machines. It was IBM which established *the basic computing and software* standards which allowed the PC sector to take off in the early 1980s. Many people in the industry believe that it could easily turn on the manufacturers of compatible machines like Dell and crush them with sheer market muscle.

Not so, says Dell. IBM's strategy in launching its new Personal System 2 (PS/2) range, he contends, was to try to re-establish its authority in the market. But in his view the manoeuvre has failed. Users, he argues, want *a range of suppliers; and they like PC* networks that work to universal standards rather than the proprietary systems of one manufacturer. This is why the MS-DOS operating system developed for the first IBM PCs is still a strong force in the market; and it will mean that the PS/2 range will partly depend for success on having n variety of manufacturers making compatible machines.

At the same time, Dell *contends* that Intel and Microsoft, the two IBM suppliers behind the development of microprocessors and software for the PC range, are key elements in establishing the standards for the industry. And they are free agents. "Our *policy is to* huild *high-performance* machines on microprocessors which run industry-standard hardware and software," he says.

The second question concerns Dell's ability to stay the pace in a commodity-type market where users *can shop around for products.* Indeed, the openness of the market is one corollary of establishing an industry standard which has allowed companies like Dell Computer to emerge: instead of using fancy computer techniques to compete, these organisations now have to fight for a place in the sun using traditional business weapons.

Dell's formula for growth is based *on an* unusual marketing approach and n strong emphasis on service. On the marketing side he has come up with what is claimed to be a unique package in the US, a distrihution system that cuts out all middle men. The aim is to keep prices low by short-circuiting the normal process of selling through third party agents and shops. "The PC industry uses distributors because Apple and IBM decided that that was the way to do it," he says. "But we do it differently."

Dell's target is the corporate sector. *This is a part* of the market where larger mainframe and minicomputer companies are supposed to have an in-huilt advantage because of their names and existing position in computer departments. But Dell believes that in the PC sector customers are willing to look at different suppliers, as long as they are responsive enough to customer needs. He aims to reach smaller companies through advertising in the trade press and taking sales over the telephone; larger customers are approached directly hy face-to-face marketing teams.

By avoiding the established distribution chains, the company claims that it is ahle to cut prices to around half the industry average. Costs on the manufacturing side, on the other hand, are not a particular issue. Indeed, the company believes that it has to invest heavily in technology to stay in contention.

It assembles its machines in the US and employs a relatively large team of designers – about one-tenth of the total workforce – so that its model line is up to date.

Michael Dell: Beguilingly unassuming, but already a hero figure in the US

Dell moved quickly, for example, to bring out machines based on the latest *386 microprocessor* from Intel, and now has its own version of the Microsoft OS/2 operating system developed for the PS/2.

Great emphasis is also placed on support and after sales services. The initial price of Dell PCs includes a year's free servicing. UK customers who run into problems can contact the company via e free 0800 number and discuss it with trained staff who have access to e detailed client file. If the difficulty cannot be solved, Dell promises to send round a service engineer within 24 hours.

This approach has raised some scepticism in the industry because it is so innovative. But Dell clearly believes be has an eye for market opportunities. User companies, he says, appreciate close contact with suppliers to help with their desktop computing problems.

"Many dealerships and shops have e high staff turnover," he says. "The level of expertise varies greatly, and the quality of service and support is all over the place." The company benefits from its close customer contacts, Dell adds. "We get a daily feedback this way from our customers and that helps us with the development of our new machines."

The Dell marketing approach is now being tried in the UK, where sales began last June. Since then, turnover has risen to about 15 per cent of the group total, giving the company a market share of between 3 and 4 per ceot. The next step, saye Dell, who owns about 65 per cent of the group himself, is a drive into Continental Europe.

Research and development

How ICI is breaking down the barriers

The UK chemicals group wants to exploit further both the scientific and marketing potential of *new products. Peter Marsh reports*

Rob Margetts: wants researchers to get nearer user industries

MANAGERS of industrial research and development, whether concerned with entire countries or the smallest companies, *continually struggle* with how best to combine relevance and excellence.

The two goals can conflict. An over-emphasis on directing R&D towards narrow commercial activities may constrain researchers from making the grand leaps in science that could lead to economic rewards.

At the same time, giving technical people too much freedom may lead them into areas which are *wondrously interesting* – but irrelevant to the industries they are supposed to be helping.

The conundrum is stark enough at Imperial Chemical Industries' chemicals and polymers group, a £4bn-a-year turnover company formed at the beginning of last year to bring together the UK industrial giant's bulk chemicals activities.

The group, with an annual R&D hndget of about £70m, makes a *huge range of products,* including fertilisers, acrylics (such as Perspex sheet), plastics, soda ash, fibres and chlorine chemicals together with a variety of other more specialised chemicals for specific industries. Responsibility for making and selling the different products is given to 11 separate business divisions within the chemicals and polymers unit.

The group's *formation* gave ICI the chance to put firmly into practice ideas about R&D management which have surfaced in many big technology-based companies in recent years, in particular the need to avoid unnecessary barriers between research and commercial functions.

These ideas, in the form they are being applied at ICI's chemicals and polymers group, essentially encourage its 2,000 research staff to perform a mental balancing act. Most of these people are based nt the group's main administrative and manufacturing sites at Runcorn, Cheshire, and Wilton, near Middlesbrough.

The researchers must on one level help in the marketing and applications of products based largely on commodity materials such as ethylene, benzene and chlorine.

They also have to be aware of the scientific opportunities for developing novel molecules for a series of fast-moving fields including advanced composites, catalysis and polymer chemistry.

This second area of work is becoming all the more important given ICI's goal, which it shares with many other big chemical concerns, of steering its product mix further towards the higher-value areas of chemicals and away from the commodity end of the industry.

Ideally, the researchers should be able to move freely between the different parts of the group's activities, both taking up and disseminating ideas as they do so.

In charge of the strategy is Rob Margetts, the group's director of research and operations. "Everything starts with the recognition that research peopla have to get nearer to the user industries," says Margetts, an enthusiastic 41-year-old who joined ICI as a chemical engineer in 1969 and is regarded within the company as a high-flyer.

"You must therefore line up technical strategy with business thinking, which makes you high on relevance. You have to impose excellence by creating within the structure skill zones where people with technical expertise can work together, developing links both with other scientists and with husiness groupings."

The arrangement boils down to a matrix structure – reminiscent *of the R&D management style of* hig Japanese companies like NEC and Hooda – in which every researcher has n dual role of belonging both to one of the 11 business divisions and also to a scientific team centred on a particular discipline.

Margetts has set up about 10 technical groups, each containing between 50 and 150 people, which interface with the business divisions. The groups cover areas such as catalysis, halide chemistry, electrotechnology and the fast-expanding area of polypropylene plastics.

Some of the groups may work almost entirely for a specific business division, while others are likely to divide their time between several businesses – and indeed also develop links with ICI companies outside the chemicals and polymers structure such as ICI Films and ICI Advanced Materials.

Overlain on this network of technical teams is a looser grouping of resources around materials *research and polymer chemistry,* two areas of technology in which about 750 of the 2,000 research staff are involved. The first area is related to products such as composites, engineering plastics and films, and the second to the production of novel types of specialised chemicals for applications as varied as water-treatment and fibres processing.

Margetts helieves that these two aspects of technology are so important that they have relevance to most of the group's business divisions.

Before the formation of the chemicals and polymers group, the drift towards integrating the research and business functions in the bulk chemicals side of ICI had become evident.

This had already led to one *major decision,* the *scrapping* of the main corporate laboratory in Runcorn for bulk chemicals and related areas, followed hy the redistribution of staff to commercial divisions of the company.

The closing of the Runcorn laboratory was n prerequisite to the new R&D structure within the chemicals and polymers gronp, according to John Colchester, group general manager of research and technology.

Colchester, like Margetts a long-time ICI employee, has worked for the company both as a researcher and a works manager. In the 1970s he was in charge of ICI's new-ventures division, which ettemped to "seed" *new technology-based businesses.* Colchester says the ventures division, like the corporate laboratory, led to an "elitist" spirit among people working in these entities which unnecessarily divided the R&D and marketing functions of the company and interrupted the flow of new ideas.

It probably is too early to make any definitive jndgments on how the new R&D arrangements are working, but some of the omens appear promising.

The development of a new, highly durable ICI material called Asterite appears to have been helped hy a close relationship between technical and marketing people. The substance is being sold with some success by the chemicals and polymers group's acrylics unit, mainly for moulding into kitchen sinks (see Technology Page, March 25).

Martin Casey, a product manager at the acrylics division, says commercial people there have had access to the skills of 150 research staff "who have been committed to our business" rather than being in a separate R&D section of the company.

Ian Click, a research and technology manager in the group's chemical products division, which is involved in a range of specialised chemicals, says the new thinking is "blurring the boundaries" between the commercial functions and research, to good effect.

"I can't sae any conflict *between being commercially* oriented and having the ability to innovate," says Click. "The best way to achieve innovation is hy being clear ebout commercial goals."

COMMODITIES AND AGRICULTURE

LME's new zinc contract to be quoted in dollars

BY KENNETH GOODING, MINING CORRESPONDENT

THE LONDON Metal Exchange is to introduce a new "special high grade" zinc contract – for metal of at least 99.995 per cent purity – on September 1.

The new contract will be priced in US dollars and on the day it is launched the existing high grade zinc contract will be switched from sterling to dollars.

The two contracts will run in parallel for some time and the LME Board will monitor their performances closely.

Mr Christopher Green, the LME board chairman, pointed out yesterday that the timing of the introduction of the contract would enable zinc producers and custom smelters to use the new specification when pricing discussions took place with consumers next spring during the so-called "mating season".

Mr Stephen Briggs, an analyst with Shearson Lehman Hutton's London Metals Research Unit, said the change was not as big a step as in September 1984 when the LME introduced the high grade zinc contract to run alongside the the one for "good ordinary brand" zinc.

The "gob" contract was dead a year later because only about 10 to 15 per cent of the zinc produced was of that quality.

Mr Briggs suggested: "This is much more a case of the LME getting ahead of the game and being innovative than simply following market trends."

Trading in the new contract will start in the three months delivery position (and up to 15 months) on September 1 with the first cash position falling due on December 1.

Options trading will not be available until the new contract is well-established.

The LME said all zinc producers world-wide will be invited to submit appropriate brands for listing and to give the usnal undertakings about the quality of the metal.

Moderate Opec states to meet

BY RICHARD JOHNS

Indonesia, Venezuela and Nigeria, which represent the middle ground of the Organisation of the Petroleum Exporting Countries, will hold consultations prior to the next ministerial conference scheduled to begin in Vienna on June 8.

Mr Ginanjar Kartasasmita, the Indonesian Minister of Energy, was quoted yesterday hy the state'e official newa agency Antara as saying that they would discuss the need for world oil price stability.

A formal get-together prior to a full Opec session of the three moderates, which are also the only significant members not from the Gulf, would be unprecedented.

Any such plan almost certainly reflects a measure of resentment over Saudi Arabia and Kuwait's co-ordinated , uncompromising stance at the last conference and the apprehensions of the three that the two Gulf heavyweights could jeopardise future prospects for collaboration with the six non-member prodncers anxious to co-operate.

At the same time Mr Ginanjar suggested that there might be no need for Opec to lower its ceiling because of rising prices.

Saudi Arabia's proposal that Opec should offer a collective cut on a barrel-per-barrel basis not only fell far short of the expectations of the six – Mexico, Angola, China, Egypt, Oman and Malaysia.

Its insistence that such a volume should be conditional on an arithmetical distrihution amongst the 13 members was opposed by a majority of eight and was one factor contributing to one of the most bitter Opec conferences ever.

It was supported by Kuwait and the other conservative Arab producers of the Gulf while at the other extreme Algeria, with the backing of Iran and Libya, proposed a 300,000 b/d cut by Opec.

EC passions rise over cereal fodder

BY TIM DICKSON IN BRUSSELS

IF PRE-ELECTION preoccupations in France were an explanation for the lack of serious negotiations on prices at last month's EC Farm Council in Luxembourg, post-election uncertainty in Paris is widely expected to ensure that next week's meeting of Agriculture Ministers in Brussels turns into a similar sort of "non-event."

Bnt among the issues most likely to stir passions among member states is the proposal by the European Commission for a new subsidy to encourage use of cereals in the livestock sector.

This so-called "incorporation premium" would be paid to compound feed manufacturers who could demonstrate that they had increased their use of cereals against a reference period yet to be formally set. It would be financed from income from the co-responsibility levy (the controversial production tax on the cereals sector).

The incorporation allowance idea has already generated considerable political heat in Brussels, not least because the French Government insisted against the Commission's better judgment that a commitment to bring forward the proposal should be written into the conclusions of the February Summit. The plan has also raised hackles in the US, where maize gluten feed producers see a direct threat to imports of their cheaper cereal substitutes and are bound to put pressure on Washington for retaliation.

It has also sharply divided opinion within the EC and even within the various farm lobby organisations.

At the last council, the strongest criticism was voiced by the Netherlands, Denmark, the UK and Belgium, while only Spain, West Germany and Luxembourg were understood to he happy with the formal Commission position.

Opponents like the National Association of British and Irish Millers argue that the impact of the scheme would be "minimal" and that there would "undoubtedly be a corresponding fall in the price of imported cereals substitutes" to compensate

The scheme, adds the association, would require additional revenue and might precipitate an increase in the basic rate of the co-responsihility levy, "therehy enhancing the degree of market distortion."

THE FIVE major world wheat exporters – the US, the EC, Canada, Australia and Argentina – have spent a lot of money on support programmes with little effect on the overall trade in wheat, according to the International Wheat Council, writes David Blackwell.

An IWC report on the five countries' support policies and export practices concindes that they "have been competing to maintain their shares in a market which has not so far responded as much as expected to the inducements on offer."

Export measures have had a profound effect on the composition of the wheat trade. But a large proportion of the flnctuation in demand has corresponded to Chinese and Soviet offtake. If these countries imports are excluded, says the IWC, trade rose from 65m tonnes in 1980/81 to almost 70m tonnes in 1984/85, hnt dropped to only 64m tonnes in 1986/87.

Bridget Bloom reports on this week's international agricultural conference in Munich

The uphill road to world-wide farm reform

YOU COULD have cut the atmosphere with the proverbial knife. Mr Daniel Amstutz, the US special envoy for agricultural trade and development, looked mild enough as he rose to deliver a speech at the dinner which closed the first day of a Munich conference of mainly European experts and husinessmen on farm reform. But his words stung.

Ambassador Amstntz came very close to accusing the European Community of sabotaging current attempts within the General Agreement on Tariff and Trade to achieve world-wide farm reform. Unless the Community came much nearer to the US position in the Gatt talks, and agreed that all farm support must disappear rapidly, dire consequences would follow, he said.

Gatt itself might die if the farm talks failed, trade wars would flourish and the US would retreat into protectionist policies which could only damage the rest of the world.

Mr Amstutz's message was not entirely new, and not entirely without bombast. It is a year since the Reagan administration made its remarkahle "zero option" offer to abolish all subsidies to its farmers and all farm trade protection. The offer is part of the international negotiations taking place in the Gatt Uruguay Round.

The Gatt talks were agreed at Punte del Este in 1986 and aimed at introducing some sense into the world's agricultural policies, where the rich countries expensively subsidise their farmers to produce huge surpluses while poorer countries struggle with food shortages or dwindling markets.

So far, the US proposal has met only the most tentative response from the rest of the rich world. The EC has said that subsidies should be reduced, hut not by how much, or when, while Japan has not gone even that far. There is clearly increasing frustration in Washington with these attitudes as the clock ticks towards the presidential election and the mid-term review of the Uruguay Round in Montreal next December.

But while Amhassador Amstutz's frustration was palpable, in retrospect perhaps what shocked his audience most was that he had chosen not a hard-baked negotiating session within Gatt to deliver his message but one of the rare conferences whose purpose is to examine the future of agriculture in as wide a context – and in as dispassionate a manner – as possible.

It is often the way with conferences, that while light is thrown on the prohlems faced, agreement on solutions continues to elude the participants. This week's affair in Munich, jointly organised hy the London-based Royal Institute for International Affairs, the Trade Policy Research Centre and the West German IFO Economic Research Institute, ran true to form.

It is a year since the Reagan administration *made its remarkable* "zero option" offer to abolish all farm subsidies

Three main problems emerged. Mr Amstutz'e intervention dramatically highlighted the deep differences between the EC and the US over what international reform of agriculture shonld mean. Secondly, there are not only evident differences hut also very considerable uncertainties within the European Community as to the ultimate ends of its own farm policy.

The third prohlem stems from the other two. As one delegate remarked, farm reform may well be too important to be left to the farmers, or to Ministers of Agriculture. But until governments can agree on what the goal of farm reform shonld be, the running will continue to be made by the powerful lohhies representing farming interests.

Although many farmers know that reform must come and would welcome some clear direction from government, if their lobbies are unchallenged they will inevitahly be a force for conservatism.

The most profound difference between the US and the EC is whether the goal should be to abolish all farm subsidies and farm trade protection. The US proposal to the Gatt clearly aims at such complete liberalisation, allowing as exceptions only food aid and "production neutral" income compensation for farmers.

No official EC spokesman has endorsed such a course, even on a mnch longer time-scale than the decade the Americans envisage. Even the most outspoken critics of present policies, like Mr John MacGregor, the British Agricnlture Minister, seem to envisage some continuation not only of farm support but of farm trade protection.

At the Munich conference, Mr MacGregor noted the EC's aim was to reduce subsidies, hut said the US "drastic target" for their complete removal in 10 years was "not feasible."

The critical question as to whether compromise will emerge between the US and the EC remains unanswered. EC officials and politicians clearly believe the US will abandon the zero option, and then business will be possible – if not very probahle until after the after the US elections.

Meanwhile, there is considerable rancour within Community ranks that the US has failed to recognise the achievements already made towards farm reform by the EC heads of government summit in Fehruary, when agreement was reached on the so-called stabilisers limiting budget spending on a wide range of commodities.

The effort this agreement involved, as several delegates pointed out, seems to have led to "battle fatigue" among just those EC officials and politicians who might otherwise hy now be sharpening up the EC position within Gatt.

The second problem area - the quarrels within the EC on farm reform – were evident in the lead-up to the summit and are by now quite well known. It was not by accident that this week's conference was held in Munich, capital of Bavaria, where many believe the state government would like to uphold the status quo in farming no matter what it costs.

At the conference, Senator Suhler, president of the Bavarian Farmers Union, argued powerfully for the imposition of quotas on virtually all EC farm commodities as a way of guaranteeing continuing domestic production, as well as further restrictions on imports as a means of guaranteeing domestic markets .

The effort involved in winning agreement on budget stabilisers seems to have led to "battle fatigue" among some EC officials

But beyond the immediate controversies over whether price reductions or production controls are the best way of dealing with surpluses lies a more fundamental problem. Sir Michael Franklin, former permanent secretary at the British Ministry of Agriculture, argues in a new book made available at the conference* that EC governments must change their policies towards agriculture.

The buge increases in agricultural production – partly the result of technological advance and partly of snbsidisation – mean that food production in the rich world is no longer a problem, and therefore should no longer be such a central preoccupation of governments.

Sir Michael argues for a "different policy mix, which takes as its starting-point the needs of the rural economy as a whole." These include not just food production but environmental conservation, recreation, rural industry and housing .

The mix, he suggests, must include alternative policies towards farmers "which guarantee not to increase and preferably actually decrease production." Such so-called "de-coupling" policies (because they remove the link between government aid and production) are not popular with farmers, nor with those who lobby on their behalf. It is partly for that reason that they will continue to cause controversy, even though they might prove one of the few ways of compensating farmers for their losses if there ever is to be real liberalisation of farm support.

This brings us to the third problem area which was barely addressed by the Munich conference, but arises out of all official and semi-official deliberations on farm reform today

Dr Andy Stoeckel, director of the Canberra Centre for International Economics, has published a new set of studies which aim to show that big macro-economic advantages – such as additional income of $26bn for developing countries, 3m more jobs for the EC and a reduction of $40bn a year from the US budget deficit – could flow from the complete liberalisation of farm support.

But he acknowledged at the conference that European governments, in particular, did not have the political will for such liberalisation – mainly, he believes, because the real costs of protecting agriculture are not fully appreciated, especially by those groups in society, like consumers, or industrialists, who would benefit from liberalisation. There is, in other words, no real political constituency for radical farm reform in Europe, which suggests that farming policy will continue to be heavily influenced by farming interests and agriculture ministers and that progress in Gatt will he at best quite slow and very painful.

Oilseed traders say price rise could be short-lived

BY JOHN BUCKLEY

A STEEP rise in oilseed markets in the past week in response to reduced estimates of the US soyabean crop and carryover stocks could prove short-lived, European traders say.

Demand for oilseeds is under threat as a global crushing industry already working on slim margins is squeezed further by dearer inputs. And in spite of a sympathetic rally in some oilseed product markets this week crushers are already braced for a further weakening in vegetable oil markets if the farm subsidy war between the US and the European Community escalates.

Up to this week oil prices had dropped hy some 20 per cent since January, hitting crushers' profits in Continental Europe and triggering a sharp rising in EC crushing subsidies.

Many European traders blame the US Export Enhancement Progam (EEP), which has been used to offer more than 700,000 tonnes of vegetable oils to cash and credit-starved buyers in the Third World. Export subsidies or bonuses have recently exceeded $180 a tonne and are paid in US government stocks gathered under past market support programmes. But these sweeteners are increasingly expected by many Third World buyers and set an artificially low world price for oils, European traders claim. The EEP also effectively cushions US mills from the low prices traded on the export market, enabling them to operate at better profit margins than their European counterparts.

US subsidies have been offered to traditional EC customers, including India, Turkey, Morocco and Algeria, and US trade associations recently asked for extension of the EEP to include sales to Soviet Union, where they calculate that subsidies can buy an extra 270,000 tonnes of US vegetahle oil exports.

But the subsidy war, which is now expected to double US soya exports to 1m tonnes for the first time in several years, could undermine prices at a sensitive time for the market. Malaysian palm oil production is rising seasonally and could hit a record 4.7m tonnes this year.

At the same time a record spring flush of new crop soyabean output is being aggressively marketed by Brazil and Argentina, while weak soya oil prices have in turn squeezed palm oil exporters who rely on low prices to hold market share. India, the world's biggest palm oil importer, recently bought 140,000 tonnes of EEP vegetable oil from the US and belped trigger a $100 a tonne fall in the palm oil market.

India is also said to be keen on securing large regular quantities of rapeseed oil from the EC to help widen its supply options. But politics may forestall Brussels' temptation to match US export subsidies.

Last week the EC blocked the formation of a Gatt panel to review US claims that EC oilseed subsidies have reduced US soya trade to the Community.

Europe's traders say that the US case could look weak while US export subsidies are being used to expand export markets and could be blamed for hitting prices of developing non-aligned exporters.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA PRICES fell further yesterday on the liquidation of long positions, chart-inspired aelling and new short selling following the entry into the market on Wednesday by Cameroun, Nigeria and Malaysia with current and new crop sales. Prices closed above the day's lows, but the three-month position, which fell £18 a tonne on Wednesday, lost another £9 to £901 a tonne. However, West African good quality cocoas for nearby shipment remain et firm premiums because of tha Ivory Coast's staunch refusal to sell warehoused atocks, dealers said. In the bullion market, gold and platinum prices advanced, responding to renewed concern South Africa may retaliate against possibla US economic sanctions, dealers said. Thia could involve curbing shipments of precious metals, notably platinum. Meanwhile the Biffex dry cargo freight futures market rose strongly again, following a sharp rise in the BFI.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.85-5.05t	-0.05
Brent Blend	$16.40-6.45t	-0.10
W.T.I.(1 pm est)	$17.35-7.40t	-0.18
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$194-196	
Gas Oil (Soviet)	$142-144	-2
Heavy Fuel Oil	$78-78	-1
Naphtha	$165-167	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$451¼	+2
Silver (per troy oz)♣	658c	+3
Platinum (per troy oz)	$539.00	+5.25
Palladium (per troy oz)	$122.50	+0.25
Aluminium (free market)	$2980	+45
Copper (US Producer)	108⅝-08¼c	+1
Lead (US Producer)	35.5c	
Nickel (free market)	750c	-20
Tin (European free market)	£3655.0	+7.8
Tin (Kuala Lumpur market)	17.43r	+0.03
Tin (New York)	322c	-2
Zinc (Euro. Prod. Price)	$1055	
Zinc (US Prime Western)	54c	
Cattle (live weight)†	112.83p	+0.67*
Sheep (dead weight)†	208.61p	-10.44*
Pigs (live weight)†	70.16p	-3.29*
London daily sugar (raw)	$240.8s	+5.4
London daily sugar (white)	$250.5s	+5.5
Tate and Lyle export price	£295.0	+3.5
Barley (English feed)	£109.75	-0.25
Maize (US No. 3 yellow)	£135	
Wheat (US Dark Northern)	£93.75	
Rubber (spot)♥	68.50p	+1.00
Rubber (June) ♥	72.50p	+1.00
Rubber (July) ♥	72.75p	+1.00
Rubber (KL RSS No 1 June)	320m	+3
Coconut oil (Philippines)§	$545s	+5
Palm Oil (Malaysian)§	$420t	
Copra (Philippines)§	$385	
Soyabeans (US)	£162.0	+0.5
Cotton "A" index	64.2c	
Wooltops (64s Super)	673p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-Oct/Dec. x-Jun/Jul. t-Jun. s-May/Jun. †Meat Commission average fatstock prices. * change from s week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne	Close	Previous	High/Low
May	885	898	885 881
Jly	901	912	911 896
Sep	918	927	928 912
Dec	933	947	945 932
Mar	956	969	962 956
May	975	987	985 975
Jul	992	1008	997 992

Turnover: 3178 (3577) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 11 : 1214.93 (1238.98) .10 day average for May 12 : 1229.78 (1229.44)

COFFEE £/tonne	Close	Previous	High/Low
May	1093	1087	1104 1088
Jly	1095	1083	1108 1082
Sep	1092	1087	1104 1086
Nov	1092	1094	1102 1085
Jan	1095	1108	1105 1090
Mar	1100	1125	1113 1094
May	1105	1150	1115 1096

Turnover: 7523 (2469) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 11: Comp. daily 1979 116.98 (116.83); 15 day average 115.28 (115.26).

SUGAR $ per tonne			
Raw	Close	Previous	High/Low
Aug	209.00	208.80	211.80 197.60
Oct	209.00	207.60	211.60 206.80
Dec	209.20	197.80	207.80
Mar	207.80	208.80	210.20 206.00
May	207.40	209.00	206.00
White	Close	Previous	High/Low
Aug	249.00	246.00	249.50 246.00
Oct	243.50	242.00	245.80 241.00
Dec	245.00	242.00	243.00
Mar	249.00	248.00	250.30 247.50

Turnover: Raw 5210 (5722) lots of 50 tonnes; White 1072 (2214).
Paris- White (FFr per tonne): Aug 1365, Oct 1345, Dec 1349, Mar 1368, May 1400, Aug 1410

GAS OIL $/tonne	Close	Previous	High/Low
Jun	141.25	142.25	141.75 140.25
Jul	140.25	141.25	140.75 139.50
Aug	141.75	142.75	142.00 140.50
Sep	142.75	144.50	143.00 142.50
Oct	145.00	146.50	144.50 144.25

Turnover: 2112 (2958) lots of 100 tonnes

GRAINS £/tonne			
Wheat	Close	Previous	High/Low
May	105.85	105.50	105.85 105.40
Jly	107.95	107.00	108.05 107.80
Sep	101.90	101.00	101.00 101.50
Nov	103.80	103.80	103.80
Jan	106.45	106.45	106.45
Mar	108.80	108.80	108.80
May	111.15	111.15	111.15
Barley	Close	Previous	High/Low
May	104.48	104.15	104.46
Sep	98.60	98.85	98.60
Nov	100.78	101.10	100.75
Jan	103.25	103.60	103.25
Mar	104.90	105.18	104.90
May	107.10	107.35	107.10

Turnover: Wheat 114 (439) , Barley 36 (44) lots of 100 tonnes.

LONDON METAL EXCHANGE [Prices supplied by Amalgamated Metal Trading]	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 550 tonne
Cash	2940-60	2955-75		2980-3000		
3 months	2410-30	2430-50		2420-40	2400-20	4,775 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 23,600 tonne
Cash	1542-7	1545-50	1670	1570-2		
3 months	1262-5	1277-8	1280/1257	1278-8	1251-2	80,680 lots
Copper, Grade A (£ per tonne)						Ring turnover 50,325 tonne
Cash	1360-5	1339-40	1360/1355	1355-8		
3 months	1165-7	1148-7	1158/1131	1142-3	1151-2	70,556 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1295-305	1225-35		1260-80		
3 months	1120-30	1105-15		1105-15		36 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	649-52	649-52		649-52		
3 months	660-3	660-3		660-3	665-70	680 lots
Lead (£ per tonne)						Ring turnover 7,200 tonne
Cash	341-2	336-40	343/342	342-3		
3 months	329.5-30.5	328-9	331/329	330-0.5	329-30	10,696 lots
Nickel ($ per tonne)						Ring turnover 1,650 tonne
Cash	16700-800	16200-400	16700/16500	16500-60		
3 months	13600-700	13500-600	13650/13650	13750-800	13600-700	6,792 lots
Zinc (£ per tonne)						Ring turnover 19,300 tonne
Cash	603-4	596-600		599-600		
3 months	597.5-8.5	594-5	598/596	595-6	596-7	19,793 lots

POTATOES £/tonne	Close	Previous	High/Low
Nov	87.0	86.0	
Feb	98.0	96.0	
Apr	126.0	126.9	128.0 125.8
May	136.0	136.5	

Turnover: 21 (94) lots of 100 tonnes.

SOYABEAN MEAL £/tonne	Close	Previous	High/Low
Jun	132.30	133.00	
Aug	131.80	131.50	131.50
Oct	132.20	133.00	132.80 132.00
Dec	135.50	135.50	
Feb	137.50	137.50	
Apr	137.20	138.50	

Turnover: 561 (112) lots of 100 tonnes.

FREIGHT FUTURES $10/index point	Close	Previous	High/Low
Jly	1472.0	1430.0	1480.0 1445.0
Oct	1526.0	1499.0	1540.0 1512.0
Jan	1525.0	1487.5	1545.0 1510.0
Apr	1545.0	1510.0	1565.0 1404.5
Jly	1404.5	1390.0	1475.0 1400.0
Oct	1475.0	1505.0	1475.0
BFI	1428.5	1397.5	1428.5

Turnover: 897 (898)

FRUIT AND VEGETABLES
Supplies of apples from the Southern hemisphere are good with Cape Granny Smiths 25-45p a lb, Cape Starkings 30-50p and New Zealand Gales 45-60p, reports FFVIB. Spanis melons are increasing in supply, with Yellow Honeydew now 75p-£1.40 each. Strawberries are scarce 60p-£1.00 a half pound. Jersey Royals are more plentiful this week 40-75p a lb, while cauliflowers 25p-60p each, courgettes 60p-£1.00 a lb and mushrooms 40-75p a half pound remain abundent. All sizes of English asparagus are increasing in supply, prices are to £1.50-2.20 a lb. Tomatoes are down to 60-85p, and spring onions are also increasingly available 20-40p a bunch. Round lettuce 20-33p each and cucumbers 25-55p remain static but there are better supplies of celery 50-65p a head and chinese leaves 80-90p.

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	451½-452	239½-240
Opening	448¾-449¼	238½-239
Morning fix	448.85	238.834
Afternoon fix	451	239.55
Day's high	452½-453	
Day's low	448-448½	
Coins	$ price	£ equivalent
US Eagle	465-470	246¾-249¼
Mapleleaf	465-470	246¾-249¾
Britannia	465-470	246¾-249¾
Krugerrand	450-453	238¾-240¼
1/2 Krug	235-242	123¾-128½
1/4 Krug	116-124	61⅝-65¾
Angel	461-466	244¾-247¾
1/10 Angel	46-51	24¾-27⅛
New Sov.	106¾-107¼	56¼-57
Old Sov.	106¼-107¾	56¼-57¼
Noble Plat	555.4-61.85	295.1-299.5

Silver fix	p/fine oz	US cts equiv
Spot	347.45	653.00
3 months	354.70	665.35
6 months	362.85	675.65
12 months	379.20	706.30

LONDON METAL EXCHANGE TRADED OPTIONS	Calls		Puts	
Aluminium (99.7%)				
Strike price $ tonne	July	Sept	July	Sept
2150	386 210		40	109
2300	276	143	80	179
2450	191	90	142	273
Aluminium (99.5%)	Calls		Puts	
2150	361	242	42	139
2300	256	171	85	215
2450	172	118	150	309
Copper (Grade A)	Calls		Puts	
2100	169	134	61	124
2200	123	93	104	180
2300	80	62	160	247

US MARKETS

The precious metals eased following publication of the U.S. retail sales figure on mixed commission house selling and long-liquidation, reports Drexel Burnham Lambert. Trade buying emerged which prompted a rally before the trade turned seller at the highs as the markets closed with pared gains. Copper rallied with fund and commission house buying in the face of arbitrage selling. The main feature in the energy complex was a narrowing of the crack spreads - crude oil eased in quiet trading dominated by local activity, while the products fell on profittaking. Coffee eased on a combination of trade selling and mixed long-liquidation. Sugar closed firm on commission house buying in the face of good scale-up origin-type selling. Cocoa opened weak on long-liquidation but as trade buying narrowed the July/September spread, the market found support. Cattle futures finished roughly unchanged, despite continued good fundamentals, as traders still exhibited nervousness over a possible weakening of cash prices. Hogs rallied in response to higher cash prices, while bellies underwent a technical rally despite poor fundamentals. Tha soybean complex eased on profittaking

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
May	451.9	449.7	0	0
Jun	453.3	451.2	454.8	449.8
Jul	455.6	453.5	0	0
Aug	457.7	455.7	459.0	454.8
Oct	462.8	460.6	464.0	460.2
Dec	467.7	465.8	468.5	465.3
Feb	473.0	471.1	0	0
Apr	478.4	476.5	0	0
Jun	483.9	482.0	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jul	543.1	540.8	545.5	538.5
Oct	546.5	546.1	550.0	545.0
Jan	554.7	552.1	555.0	551.0
Apr	560.1	558.1	559.5	559.5
Jul	565.9	564.9	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
May	657.4	655.2	657.0	657.0
Jun	660.1	658.2	661.0	661.0
Jul	664.5	662.5	668.0	658.0
Sep	673.2	671.1	676.5	666.0
Dec	687.4	685.2	691.0	683.0
Jan	692.0	689.8	0	0
Mar	702.0	699.7	701.0	701.0
May	712.0	709.8	0	0
Jul	722.4	719.9	0	0
Sep	732.9	730.3	0	0

COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
May	102.00	100.50	102.40	99.80
Jun	99.40	97.00	0	0
Jul	96.50	94.40	96.75	93.75
Sep	92.40	90.70	92.70	89.80
Dec	87.40	86.70	88.60	86.20
Jan	86.40	85.80	0	0
Mar	84.40	83.90	85.10	83.80
May	82.60	82.30	0	0
Jul	81.30	80.60	0	0
Sep	80.10	79.60	79.50	79.50

CRUDE OIL (Light) 42,000 US galls $/barrel	Close	Previous	High/Low	
Jun	17.40	17.49	17.45	17.36
Jul	17.55	17.64	17.64	17.53
Aug	17.66	17.70	17.71	17.59
Sep	17.68	17.70	17.72	17.60
Oct	17.65	17.69	17.70	17.60
Nov	17.66	17.67	17.66	17.57
Dec	17.63	17.68	17.66	17.57
Jan	17.62	17.65	17.62	17.55
Feb	17.60	17.64	17.60	17.60

HEATING OIL 42,000 US galls, cents/US galls	Close	Previous	High/Low	
Jun	47.15	47.46	47.30	46.90
Jul	46.60	46.99	46.75	46.45
Aug	47.05	47.38	47.25	46.90
Sep	47.75	47.98	47.85	47.60
Oct	48.45	48.58	48.50	48.25
Nov	49.05	49.18	49.05	49.00
Dec	49.70	49.78	49.70	49.40
Feb	49.78	49.78	49.76	49.30
Mar	48.00	48.38	48.40	48.00

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
May	1555	1586	1555	1555
Jul	1577	1600	1588	1570
Sep	1591	1610	1601	1588
Dec	1618	1639	1630	1618
Mar	1653	1674	1588	1657
May	1678	1698	0	0
Jul	1704	1725	0	0
Sep	1725	1746	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
May	133.58	134.80	135.75	133.20
Jul	135.15	136.03	137.15	134.85
Sep	136.47	137.21	138.25	136.30
Dec	137.59	138.73	139.75	137.55
Mar	138.10	138.76	139.40	138.00
May	139.50	140.30	0	0
Jul	139.50	139.46	0	0
Sep	141.00	141.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	9.25	9.17	9.33	9.19
Oct	9.30	9.28	9.43	9.20
Jan	9.17	9.18	0	0
Mar	9.20	9.21	9.41	9.17
May	9.28	9.20	9.37	9.20
Jul	9.30	9.25	9.40	9.22
Oct	9.35	9.33	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Jul	64.48	62.80	64.55	62.50
Oct	60.36	59.78	60.50	59.10
Dec	58.89	58.45	59.00	57.82
Mar	59.36	58.95	58.86	58.35
Jul	59.60	59.10	0	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
May	171.00	171.95	172.80	171.20
Jul	167.70	167.70	167.75	167.35
Sep	163.20	163.00	163.30	162.80
Nov	157.85	157.45	157.90	157.50
Jan	154.80	154.25	154.80	154.20
Mar	154.95	154.80	0	0
May	154.95	154.00	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	May 11	May 10	mnth ago	yr ago
	1768.0	1765.2	1731.8	1593.9
DOW JONES (Base: December 31 1974 = 100)				
Spot	131.70	130.73	129.49	
Futures	134.39	134.39	129.57	

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
May	707/0	712/0	708/4	704/4
Jul	716/2	723/6	721/4	716/4
Aug	722/0	729/2	725/6	720/0
Sep	724/4	732/2	730/0	724/0
Nov	733/6	741/0	739/4	733/0
Jan	742/2	750/2	747/4	742/0
Mar	750/2	759/6	758/0	749/4
May	753/4	761/0	758/4	753/0
Jul	754/0	760/0	758/0	753/4

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
May	23.35	23.60	23.74	23.38
Jul	23.72	23.94	24.11	23.72
Aug	23.92	24.15	24.31	23.91
Sep	24.10	24.36	24.52	24.10
Oct	24.22	24.52	24.69	24.20
Dec	24.55	24.88	24.96	24.53
Jan	24.60	24.90	25.03	24.60
Mar	24.97	25.22	25.35	24.97
May	25.30	25.55	25.45	25.30
Jul	25.40	25.52	25.40	25.40

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
May	213.8	215.8	215.0	213.9
Jul	211.8	213.9	213.7	211.1
Aug	211.8	213.6	212.8	211.0
Sep	211.7	213.6	212.8	211.1
Oct	212.1	213.5	213.3	211.8
Dec	213.7	215.8	215.0	213.2
Jan	214.5	216.0	215.5	214.0
Mar	215.7	217.2	217.0	215.5
May	217.7	219.7	218.0	217.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
May	196/0	197/0	197/2	195/4
Jul	204/6	206/0	206/0	204/2
Sep	211/6	213/2	213/0	211/4
Dec	221/6	222/6	222/6	220/6
Mar	230/4	231/6	231/2	230/0
May	236/0	236/6	236/0	234/6
Jul	239/0	239/4	239/0	238/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
May	301/2	303/0	303/0	301/2
Jul	310/2	311/6	312/2	310/0
Sep	319/6	320/6	321/0	319/6
Dec	329/4	332/2	332/2	329/2
Mar	335/4	336/2	336/4	335/4
May	334/0	336/0	336/0	334/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	73.55	73.42	73.80	73.12
Aug	69.80	69.90	[illegible]	[illegible]
Oct	68.20	68.15	68.25	67.87
Dec	69.07	68.92	69.12	[illegible]
Feb	68.60	68.70	[illegible]	[illegible]
Apr	69.90	69.80	[illegible]	[illegible]
Jun	69.60	69.80	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Jun	50.12	52.77	[illegible]	[illegible]
Jul	52.80	52.80	[illegible]	[illegible]
Aug	50.85	50.65	51.10	[illegible]
Oct	45.60	45.20	45.70	[illegible]
Dec	46.65	46.20	47.00	[illegible]
Feb	46.30	45.90	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb	Close	Previous	High/Low	
May	54.00	53.07	54.70	[illegible]
Jul	55.17	53.82	[illegible]	[illegible]
Aug	54.12	52.40	[illegible]	[illegible]
Feb	61.82	60.40	[illegible]	[illegible]
Mar	61.45	60.45	[illegible]	[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar quiet but nervous

THE DOLLAR finished below the day's highs in currency markets yesterday. Investors were still unsettled by Wednesday's rise in US primes rates. While higher rates added to the dollar's attraction, there was concern about the possible effect on equities.

Dealers pointed out that last September's rise in the US discount rate had been seen as part of the reason for October's crash in share prices.

However the only movement of the day came after comments by Mr C. William Verity, US Commerce Secretary, when he claimed that the recent rise in US interest rates did not reflect a major trend. This encouraged a few traders to reduce their dollar holdings. Earlier a statement by Mr Wayne Angell, US Federal Reserve Board Governor, had suggested that the current course of the economy did not call for drastic action on interest rates.

News of a 0.6 p.c. decline in US retail sales in April failed to have any effect on trading. The decline was at odds with most projections, which centred on a flat figure, and should have helped sentiment by reducing fears of a further rise in imports. However the March figure was revised up sharply to a 1.7 p.c. increase from 0.8 p.c. previously reported.

The dollar remained within a relatively narrow range, reflecting a lack of incentive to take out fresh positions. Dealers were also wary because of today's release of Japanese trade figures for April and next Tuesday US trade data for March.

There were also a few nerves ahead of the 30-year US bond auction, due after the close of business in London. The dollar closed at DM1.6790 from DM1.6775 and Y124.25, unchanged from Wednesday. Elsewhere it finished at SFr1.3955 from SFr1.1985 and FFr5.6950 against FFr5.6900. On Bank of England figures, the dollar's exchange rate index rose from 92.5 to 92.6.

STERLING-Trading range against the dollar in 1988 is 1.9050 to 1.7400. April average 1.8776. Exchange rate index 78.7 against 78.5 at the opening and 78.7 on Thursday. The six months ago figure was 75.3.

The pound finished towards the day's highs, recovering early losses largely at the expense of a weaker dollar. Trading volume was restricted to some extent by the closure of most European centres for Ascension Day.

There was no concerted attempt to push sterling higher against the D-Mark, and it finished unchanged at DM3.1650. It was also unchanged against the Swiss franc at SFr2.6300. Against the yen it closed at Y234.25 from Y234.50 and FFr10.7350 compared with FFr10.7375. Against the dollar it slipped to $1.8850 from $1.8870.

JAPANESE YEN-Trading range against the dollar in 1988 is 131.15 to 122.75. April average 124.92. Exchange rate index 246.2 against 228.2 six months ago.

Higher US interest rates helped the dollar to move firmer in Tokyo, but selling pressure at the higher levels eventually reversed the trend. The undertone remained nervous, as investors viewed with some concern, recent signs that inflation may start to rise.

The dollar closed at Y124.40 compared with Y124.45 in New York and Y124.25 in Tokyo on Wednesday. Investors were now looking to see if the US Federal authorities would continue to maintain a firmer monetary stance.

However, any improvement by the dollar is likely to meet strong resistance at Y125.00. An announcement by the Bank of Tokyo, suggesting that there were no plans to increase Japanese interest rates appeared to have little effect.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4625	+2.37	+0.97	±1.5344
Danish Krone	7.85212	7.96890	+1.49	+0.09	±1.5404
German D-Mark	2.05853	2.07750	+0.92	-0.48	±1.0981
French Franc	6.90403	7.05263	+2.15	+0.75	±1.3674
Dutch Guilder	2.31943	2.32940	+0.43	-0.97	±1.5012
Irish Punt	0.768411	0.777853	+1.23	-0.17	±1.6684
Italian Lira	1483.58	1547.25	+4.29	+3.42	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

May 12	Latest	Previous Close
£ Spot	1.8840-1.8850	1.8810-1.8820
1 month	0.11-0.09pm	0.11-0.09pm
3 months	0.39-0.34pm	0.36-0.34pm
12 months	1.80-1.70pm	1.70-1.62pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 12	Previous
8.30 am	78.5	78.5
9.00 am	78.5	78.5
10.00 am	78.5	78.5
11.00 am	78.5	78.6
Noon	78.5	78.6
1.00 pm	78.6	78.6
2.00 pm	78.6	78.6
3.00 pm	78.6	78.6
4.00 pm	78.7	78.7

CURRENCY RATES

May 12	Bank rate %	Special* Drawing Rights	European* Currency Unit
Sterling	-	0.733264	0.657073
U.S. Dollar	6	1.38257	1.23904
Canadian $	8.75	1.70263	1.53232
Austrian Sch.	3	16.3060	14.6071
Belgian Franc	6½	48.5178	43.4625
Danish Krone	7½	8.89062	7.96890
Deutsche Mark	2½	2.31898	2.07750
Neth Guilder	3½	2.59992	2.32940
French Franc	9½	7.87166	7.05263
Italian Lira	12½	1728.84	1547.25
Japanese Yen	2½	171.715	153.889
Norway Krone	8	8.50004	7.60772
Spanish Peseta	-	154.161	138.228
Swedish Krona	8½	8.10670	7.26265
Swiss Franc	2½	1.92730	1.72599
Greek Drach.	20½	186.099	166.713
Irish Punt	-	0.867990	0.777853

*All SDR and ECU rates are for May 11

CURRENCY MOVEMENTS

May 12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.7	-14.4
U.S. Dollar	92.6	-14.4
Canadian Dollar	81.4	-5.2
Austrian Schilling	139.1	+10.4
Belgian Franc	100.2	-6.2
Danish Krone	92.3	+1.1
Deutsche Mark	148.5	+22.3
Swiss Franc	174.5	+22.7
Guilder	137.5	+15.1
French Franc	71.2	-13.9
Lira	46.2	-20.2
Yen	246.2	+85.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for May 11

OTHER CURRENCIES

May 12	£	$
Argentina	12.2330-12.3150	6.5000-6.5400
Australia	2.4495-2.4525	1.3005-1.3025
Brazil	275.85-277.30	146.55-147.30
Finland	7.5325-7.5555	3.9960-3.9980
Greece	251.50-255.80	133.80-136.10
Hong Kong	14.7010-14.7185	7.8135-7.8155
Iran	125.80*	66.40*
Korea(Sth)	1378.00-1390.45	733.60-739.60
Kuwait	0.51540-0.51590	0.27390-0.27400
Luxembourg	66.10-66.20	35.05-35.15
Malaysia	4.8490-4.8610	2.5775-2.5800
Mexico	4290.95-4312.05	2280.00-2290.00
N. Zealand	2.7355-2.7405	1.4525-1.4540
Saudi Ar.	7.0575-7.0635	3.7500-3.7520
Singapore	3.7715-3.7775	2.0035-2.0055
S. Af (Cm)	4.1345-4.1500	2.1980-2.2040
S. Af (Fn)	5.4565-5.6195	2.8985-2.9850
Taiwan	53.65-53.90	28.55-28.65
U.A.E.	6.9115-6.9175	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

May 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8790-1.8860	1.8845-1.8855	0.10-0.07cpm	0.18	0.36-0.31cpm	0.71
Canada	2.3110-2.3215	2.3195-2.3205	0.15-0.26cdis	-1.06	0.45-0.58dis	-0.89
Netherlands	3.54-3.55½	3.54½-3.55½	1¼-1cpm	3.81	3½-3¼pm	4.02
Belgium	65.95-66.35	66.10-66.20	16-6cpm	2.00	44-30pm	2.24
Denmark	12.13½-12.18	12.16½-12.17½	¾-2½oredis	-1.46	3½-5½dis	-1.42
Ireland	1.1825-1.1870	1.1850-1.1860	0.06-0.11cdis	-0.86	0.20-0.35dis	-0.93
W. Germany	3.15¾-3.16¾	3.16¼-3.16¾	1½-1¼pfpm	4.74	3¾-3½pm	4.58
Portugal	257.35-259.30	258.20-259.20	70-160cdis	-3.94	182-280dis	-3.57
Spain	210.45-210.95	210.65-210.95	18-32cdis	-1.42	77-93dis	-1.61
Italy	2350-2356½	2355½-2356½	4-6½liredis	-2.74	10½-15½dis	-2.23
Norway	11.53¾-11.62¼	11.61¼-11.62¼	4½-5½oredis	-5.42	14-15½dis	-5.08
France	10.71¾-10.74	10.73-10.74	½pm-½cdis	-	¼pm-½dis	-0.11
Sweden	11.03-11.10¾	11.09¾-11.10¾	2¼-3¼oredis	-2.91	5¾-7¼dis	-2.37
Japan	233¾-234½	233¾-234¾	1-¾ypm	4.16	2¾-2½pm	4.49
Austria	22.15-22.29	22.25-22.28	8½-7½gropm	4.14	25-22½pm	4.29
Switzerland	2.62⅛-2.63⅛	2.62⅞-2.63⅞	1½-1¼cpm	5.99	5¼-3½pm	5.70

Belgian rate is convertible francs. Financial franc 66.10-66.20. Six-month forward dollar 0.86-0.81cpm 12 months 1.75-1.65cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8790-1.8860	1.8845-1.8855	0.10-0.07cpm	0.18	0.36-0.31cpm	0.71
Ireland†	1.5845-1.5900	1.5890-1.5900	0.01-0.06cdis	-0.26	0.10-0.20dis	-0.38
Canada	1.2285-1.2330	1.2310-1.2320	0.15-0.18cdis	-1.61	0.48-0.51dis	-1.61
Netherlands	1.8820-1.8875	1.8820-1.8830	0.51-0.47cpm	3.12	1.55-1.49pm	3.22
Belgium	35.05-35.25	35.05-35.15	5-3cpm	1.37	15-11pm	1.48
Denmark	N/A	6.45¼-6.46	0.90-1.60oredis	-2.32	3.05-3.95dis	-2.17
W. Germany	1.6775-1.6845	1.6785-1.6795	0.56-0.53pfpm	3.89	1.64-1.59pm	3.84
Portugal	137½-138	137¼-137¾	45-60cdis	-4.51	130-180dis	-4.43
Spain	111.45-112.25	111.70-111.80	16-26cdis	-2.25	62-72dis	-2.40
Italy	1246¾-1253¾	1249¾-1250¾	3.60-4.00liredis	-3.36	8.30-10.30dis	-2.97
Norway	N/A	6.16-6.16½	2.95-3.25oredis	-4.05	8.85-9.30dis	-5.90
France	5.69-5.72	5.69¼-5.69¾	0.15-0.35cdis	-0.53	0.70-0.90dis	-0.56
Sweden	N/A	5.88¾-5.89	1.60-1.80oredis	-3.48	4.35-4.85dis	-3.13
Japan	124.20-124.70	124.20-124.30	0.38-0.33ypm	3.42	1.10-1.05pm	3.46
Austria	N/A	11.78¾-11.79¼	3.60-3.30gropm	3.50	10.90-9.90pm	3.52
Switzerland	1.3945-1.4025	1.3950-1.3960	0.62-0.57cpm	5.11	1.77-1.72pm	4.99

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.05-35.15.

EURO-CURRENCY INTEREST RATES

May 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	7¼-7	7⅜-7¼	8-7⅞	8¼-8⅛	8⅝-8½	9¼-9⅛
US Dollar	7¼-7	7¼-7	7¼-7⅛	7½-7⅜	7¾-7⅝	8¼-8⅛
Can. Dollar	8¼-8⅛	8¼-8⅛	8⅞-8½	9⅛-8⅞	9⅜-9¼	9⅝-9½
D. Guilder	4-3¾	4-3¾	4⅛-4	4¼-4⅛	4½-4⅜	4⅞-4¾
Sw. Franc	2-1¾	2-1¾	2¼-2⅛	2⅜-2¼	2⅝-2½	3¼-3⅛
Deutschmark	3½-3¼	3½-3¼	3⅝-3½	3¾-3⅝	3⅞-3¾	4¼-4⅛
Fr. Franc	7½-7¼	7½-7¼	7⅞-7¾	8¼-8	8⅝-8½	8⅞-8¾
Italian Lire	10-8	11½-10½	11-10½	10⅞-10⅜	11-10⅝	11½-11
B. Fr. (Fin)	6-5¾	6-5¾	6¼-6	6⅜-6¼	6½-6⅜	6⅝-6½
B. Fr. (Con)	6¼-5¾	6¼-5¾	6¼-5⅞	6⅜-6	6⅝-6⅜	6¾-6½
Yen	3¾-3½	3⅝-3½	4-3⅞	4⅛-4	4⅛-4	4¼-4⅛
D. Krone	9½-9	9½-9¼	9½-9¼	9⅝-9⅜	9⅞-9⅝	9⅞-9⅝
Asian $Sing	7⅜-7¼	7⅜-7¼	7⅜-7¼	7⅝-7½	7⅞-7¾	8¼-8⅛

Long term Eurodollars: two years 8⅞-8⅝ per cent; three years 9⅛-8⅞ per cent; four years 9⅜-9⅛ per cent; five years 9⅝-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May 12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.885	3.165	234.3	10.74	2.630	3.548	2356	2.32	66.15
$	0.531	1	1.679	124.3	5.698	1.395	1.882	1250	1.231	35.09
DM	0.316	0.596	1	74.03	3.393	0.831	1.121	744.4	0.733	20.90
YEN	4.268	8.045	13.51	1000.	45.84	11.22	15.14	10055		282.3
F Fr.	0.931	1.755	2.947	218.2	10.	2.449	3.304	2194	2.160	61.59
S Fr.	0.380	0.717	1.203	89.09	4.084	1	1.349	895.8	0.882	25.15
H Fl.	0.282	0.531	0.892	66.04	3.027	0.741	1	664.0	0.654	18.64
Lira	0.424	0.800	1.343	99.45	4.559	1.116	1.506	1000.	0.985	28.08
C $	0.431	0.813	1.364	101.0	4.629	1.134	1.529	1016	1	28.51
B Fr.	1.512	2.850	4.785	354.2	16.24	3.976	5.364	3562	3.507	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

An encouraging performance

STERLING INTEREST rate contracts held up well on the London futures market yesterday. Traders appeared to be generally content with the performance of the long gilt and short sterling contracts.

The main factors likely to affect trading today will be last night's US Treasury 30-year bond auction, and publication of the *Bank of England Quarterly Bulletin*.

While recent events, including the rise in US interest rates, have created a bearish undertone, dealers in London suggested that traders in US bonds and UK gilts are probably running short positions, and may be vulnerable to a bear squeeze.

An indication that the gilt market is probably short came on Wednesday, when the June long gilt fell to a low of 119-17, without triggering stop loss selling.

Dealers had believed that stops were likely to be triggered at around 119-20, but when this did not happen the contract recovered.

June long gilts opened at 119-28 yesterday, but this was the day's low. The contract rose to 120-04 at the close, from 120-02 on Wednesday.

A 0.6 p.c. fall in US retail sales for April provided little comfort for US Treasury bond futures. Traders were more concerned by a sharp upward revision in the March figure to a rise of 1.7 p.c.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
114	608	—	0	—
116	408	—	0	—
118	212	—	4	—
120	36	—	28	—
122	5	—	161	—
124	0	—	356	—
126	0	—	556	—

Estimated volume total, Calls 3609 Puts 3558
Previous day's open int. Calls 57647 Puts 40504

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
80	710	647	0	35
82	511	510	1	60
84	316	346	6	132
86	129	232	19	218
88	22	136	112	322
90	5	59	259	445
92	1	33	455	619

Estimated volume total, Calls 290 Puts 60
Previous day's open int. Calls 3830 Puts 1469

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements May	Calls-settlements Jun	Puts-settlements May	Puts-settlements Jun
16000	1580	1622	0	42
16500	1086	1188	6	108
17000	627	813	47	233
17500	275	515	195	435
18000	83	299	503	719
18500	16	159	936	1079
19000	2	77	1422	1497

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 113 Puts 101

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements May	Calls-settlements Jun	Puts-settlements May	Puts-settlements Jun
175	1335	1335	0	0
180	835	835	0	5
185	335	388	0	60
190	2	107	167	279
195	0	14	665	686
200	0	1	1165	1173
205	—	—	—	—

Estimated volume total, Calls 10 Puts 0
Previous day's open int. Calls 464 Puts 369

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9150	86	58	0	17
9175	61	42	0	26
9200	38	29	2	38
9225	18	18	7	52
9250	5	11	19	70
9275	2	6	41	90
9300	1	3	65	112

Estimated volume total, Calls 570 Puts 530
Previous day's open int. Calls 4146 Puts 2991

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9025	113	69	0	15
9050	89	52	1	23
9075	65	37	2	33
9100	43	24	5	45
9125	25	15	12	61
9150	13	10	25	81
9175	5	6	42	102

Estimated volume total, Calls 755 Puts 325
Previous day's open int. Calls 10994 Puts 5659

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls May	Calls Jun	Calls July	Calls Sep	Puts May	Puts Jun	Puts July	Puts Sep
1.800	8.05	8.05	8.35	9.10	-	0.05	0.40	1.50
1.825	5.50	5.70	6.25	7.30	-	0.20	0.85	2.10
1.850	3.00	3.60	4.50	5.70	-	0.60	1.60	3.00
1.875	0.70	2.00	3.00	4.35	0.05	1.40	2.50	4.10
1.900	-	0.90	1.95	3.30	1.70	2.75	3.90	5.50
1.925	-	0.35	1.15	2.45	4.15	4.65	5.55	7.00
1.950	-	0.15	0.65	1.85	6.65	6.85	7.50	8.80

Previous day's open int: Calls 495,853 Puts 485,063
Previous day's volume: Calls 18,444 Puts 22,817

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
1.65	-	18.65	-	19.05	-	1.30	-	1.80
1.70	15.60	15.70	-	16.40	0.30	0.55	-	1.50
1.75	11.90	13.10	12.10	12.40	0.20	0.50	0.50	1.10
1.80	8.70	8.80	7.40	8.20	0.30	0.50	1.05	2.30
1.85	3.65	3.85	3.80	5.80	0.20	1.55	2.20	3.50
1.90	0.30	1.05	2.05	3.40	2.30	4.30	5.30	6.80
1.95	0.20	0.30	0.70	1.60	8.50	8.60	9.20	10.30

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 830 Puts 764

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Jun	120-04	120-09	119-28	120-02
Sep	96-04	96-07	95-30	96-02

Estimated Volume 13504(27206)
Previous day's open int. 31133(31079)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Jun	96-08	96-02	96-02	96-02
Sep				

Estimated Volume 50(0)
Previous day's open int. 1846(1846)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Jun	106.45	106.60	106.35	106.10
Sep	105.49	105.65	105.35	105.14

Estimated Volume 659(598)
Previous day's open int. 613(596)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Jun	91.38	91.39	91.26	91.36
Sep	90.79	90.79	90.70	90.78
Dec	90.51	90.50	90.43	90.50
Mar	90.33	90.32	90.26	90.34

Est. Vol. (inc. figs. not shown) 6155(15257)
Previous day's open int. 31263(31612)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Jun	175.80	176.70	175.50	174.55
Sep	177.10	177.00	177.00	175.85
Dec				

Estimated Volume 1634(2990)
Previous day's open int. 12298(12086)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Jun	92.36	92.40	92.32	92.34
Sep	91.91	91.95	91.84	91.90
Dec	91.60	91.61	91.56	91.59
Mar	91.40	91.42	91.38	91.39

Est. Vol. (inc. figs. not shown) 5034(15589)
Previous day's open int. 36015(34831)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Jun	87-05	87-18	86-31	87-18
Sep	86-07			86-20
Dec				

Estimated Volume 8312(9846)
Previous day's open int. 8458(8306)

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Jun	1.8828	1.8819	1.8766	1.8849
Sep	1.8777			1.8803
Dec	1.8735			1.8758

Estimated Volume 24(0)
Previous day's open int. 1540(154)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8850	1.8842	1.8817	1.8767	1.8680

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.8835	1.8865	1.8790	1.8805
Sep	1.8800	1.8814	1.8740	1.8752
Dec	1.8720	1.8720	1.8690	1.8680

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Jun	87-02	87-09	86-29	87-07
Sep	86-04	86-11	86-00	86-09
Dec	85-10	85-16	85-04	85-14
Mar	84-16	84-19	84-13	84-21
Jun	-	-	-	83-30
Sep	83-01	83-01	83-01	83-09
Dec	82-16	82-16	82-16	82-21
Mar	81-29	82-00	81-29	82-02
Jun	-	-	-	81-16
Sep	-	-	-	80-31

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Jun	93.61	93.65	93.59	93.62
Sep	93.34	93.43	93.32	93.34
Dec	93.10	93.15	-	93.10
Mar	92.92	92.96	-	92.92
Jun	92.73	92.76	92.73	92.74
Sep	-	-	-	92.61
Dec	-	-	-	92.48

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.7177	0.7181	0.7172	0.7175
Sep	0.7277	0.7280	0.7272	0.7274
Dec	0.7370	0.7380	0.7370	0.7374
Mar	-	-	-	0.7475

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Jun	0.8057	0.8059	0.8050	0.8062
Sep	0.8131	0.8131	0.8125	0.8138
Dec	-	-	-	0.8213
Mar	0.8270	0.8270	0.8270	0.8282
Jun	0.8345	-	0.8345	0.8356

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Jun	0.5966	0.5969	0.5962	0.5965
Sep	0.6024	0.6028	0.6022	0.6026
Dec	0.6092	0.6092	-	0.6086
Mar	-	-	-	0.6147

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Jun	92.34	92.39	92.32	92.32
Sep	91.86	91.95	91.84	91.86
Dec	91.55	91.63	91.54	91.56
Mar	91.36	91.43	91.35	91.35
Jun	91.20	91.27	91.19	91.19
Sep	91.06	91.12	91.05	91.05
Dec	90.93	90.96	90.92	90.92
Mar	90.81	90.84	90.80	90.80

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Jun	253.65	254.15	253.50	253.40
Sep	255.55	255.95	255.50	255.30
Dec	257.35	257.40	257.35	256.90
Mar	259.00	259.00	-	258.25

MONEY MARKETS

Quiet but nervous

TRADING CONDITIONS were quiet, but nervous on the London money market yesterday. Three-month interbank was unchanged at 8⅝-8½ p.c., with dealers continuing to ponder the next move in bank base rates.

The strength of sterling means that a cut to 7½ p.c. in base rates cannot be completely ruled out, even though market sentiment over the last week or so has pointed towards a rise in rates.

The market generally believes that sterling must rise to DM3.20 before the authorities would consider another cut in base rates, and that any such move would be temporary.

UK clearing bank base lending rate 8 per cent from April 11

Mr Nigel Lawson, The Chancellor, spoke about the possibility of a co-ordinated rise in interest rates by the Group of Seven. The market's reaction to his comments - with share prices falling and interest rates rising - appears to have been overdone, but the general trend in world rates is now seen as upwards.

In New York the Federal funds rate has firmed about ¼ point in the last month or so, amid signs of tighter credit policy by the Federal Reserve. This prompted US banks to lift their prime rates on Wednesday.

Discount houses in London remained willing sellers of longer dated paper yesterday, suggesting that a rise in base rates is regarded as the most likely next move.

The Bank of England initially forecast a money market shortage of £700m, but revised this to £800m at noon, and to £850m in the afternoon Total help of £857m was provided.

Before lunch the authorities bought £752m bills outright, by way of £4m local authority bills in band 3 at 7⅞ p.c.; £71m bank bills in band 3 at 7⅞ p.c.; £3m local authority bills in band 4 at 7⅞ p.c.; and £674m bank bills in band 4 at 7⅞ p.c.

In the afternoon the Bank of England bought another £85m bills outright, through £75m bank bills in band 3 at 7⅞ p.c.; £3m local authority bills in band 4 at 7⅞ p.c.; and £7m bank bills in band 4 at 7⅞ p.c.

Late assistance of around £20m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £331m, with the unwinding of repurchase agreements on bills absorbing £628m, a rise in the note circulation £50m, and bank balances below target

FT LONDON INTERBANK FIXING

(11.00 a.m. May 12) 3 months US dollars		6 months US Dollars	
bid 7⅜	offer 7½	bid 7⅞	offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	9	One month	5.69	Three year	8.20
Broker loan rate	8½	Two month	5.97	Four year	8.39
Fed. funds	7⅛-¼	Three month	6.43	Five year	8.55
Fed. funds at intervention	-	Six month	6.76	Seven year	8.87
		One year	7.31	10-year	9.05
		Two year	7.95	30-year	9.23

May 12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.25-3.35	3.35-3.50	3.45-3.55	3.50-3.65	3.65-3.80	4.50
Paris	7¼-7⅜	7⅝-7⅞	7⅝-7⅞	7⅞-8⅛	8⅛-8¼	7.25
Zurich	1½-1⅝	2-2¼	-	2¼-2½	-	-
Amsterdam	4-4⅛	4⅛-4¼	-	4¼-4⅜	-	-
Tokyo	3.28125	3.84375	-	3.90625	-	-
Milan	9¾-10¼	10½-11	-	10⅝-10⅞	-	-
Brussels	3.56	6-6⅛	-	6⅛-6⅜	-	-
Dublin	7⅛-7¼	7¼-7⅝	7½-8	7⅝-8⅛	8-8¼	-

LONDON MONEY RATES

May 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7¼	7¼	7⅝	8¼	8⅝	9⅛
Interbank Bid	3	6⅞	7⅝	8⅛	8½	9
Sterling CDs	-	-	7⅞	8⅛	8⅜	8⅞
Local Authority Deps.	6½	7	7⅝	8⅛	8⅝	9¼
Local Authority Bonds	-	-	8¼	8¼	8⅝	9¼
Discount Mkt Deps.	7	7	7⅞	7⅞	-	-
Company Deposits	-	-	7⅞	8⅛	8¼	9⅛
Finance House Deposits	-	-	8	8¼	8½	9⅛
Treasury Bills (Buy)	-	-	7⅛	7⅞	-	-
Bank Bills (Buy)	-	-	7⅛	7⅞	8⅛	-
Fine Trade Bills (Buy)	-	-	8⅛	8⅛	9	-
Dollar CDs	-	-	7.15-7.10	7.40-7.35	7.70-7.65	-
SDR Linked Dep Offer	-	-	5⅞	6⅛	6⅛	6¼
SDR Linked Dep Bid	-	-	5⅝	5⅞	6	6⅛
ECU Linked Dep Offer	-	-	6¾	6½	6⅝	6⅞
ECU Linked Dep Bid	-	-	6½	6¼	6½	6¾

Treasury Bills (sell); one-month 7⅛ per cent, three months 7⅛ per cent; Bank Bills (sell) one-month 7⅛ per cent; three months 7⅞ per cent; Treasury Bills; Average tender rate of discount 7.8033 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 29, 1988. Agreed rates for period May 25, 1988 to June 25, 1988, Scheme I: 9.72 p.c., Schemes II & III: 9.58 p.c. Reference rate for period April 1, 1988 to April 29, 1988, Scheme IV & V, 8.402 p.c. Local Authority and Finance Houses seven days' notice, others seven days fixed. Finance Houses Base Rate 9½ from May 1, 1988: Bank Deposit Rates for sums at seven days notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 8¼ per cent; three-six months 8¼ per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7½ per cent from Mar 14, 1988. Deposits withdrawn for cash 5.00 per cent.

There is no European Traded Options table as yesterday was a public holiday in the Netherlands.

BASE LENDING RATES

	%		%		%
ABN Bank	8	Citibank NA	8	Nat Bk. of Kuwait	8
Adam & Company	8	City Merchants Bank	8	NatWestminster	8
AAB - Allied Arab Bk	8	Clydesdale Bank	8	Northern Bank Ltd	8
Allied Irish Bank	8	Comm. Bk N. East	8	Norwich Gen. Trust	8
Henry Ansbacher	8	Co-operative Bank	*8	PK Finans. Int(UK)	9
ANZ Banking Group	8	Cyprus Popular Bk	8	Provincial Bank PLC	9
Associates Cap Corp	10	Duncan Bank PLC	8	R. Raphael & Sons	8
Authority Bank	8	Duncan Lawrie	8	Roxburghe G'rantee	9½
B & C Merchant Bank	8	Equatorial Bank plc	8	Royal Bk of Scotland	8
Banco de Bilbao	8	Exeter Trust Ltd	8½	Royal Trust Bank	8
Bank Hapoalim	8	Financial & Gen. Sec.	8	Smith & Williams Secs.	8
Bank Leumi (UK)	8	First National Bank Plc	9	Standard Chartered	8
Bank Credit & Comm	8	● Robert Fleming & Co.	8	TSB	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	9	UDT Mortgage Exp	§9.4
Bank of Ireland	8	Girobank	8	United Bk of Kuwait	8
Bank of India	8	Grindlays Bank	8	United Mizrahi Bank	8
Bank of Scotland	8	● Guinness Mahon	8	Unity Trust Bank Plc	8
Banque Belge Ltd	8	HFC Bank PLC	8	Western Trust	8
Barclays Bank	8	● Hambros Bank	8	Westpac Bank Corp.	8
Benchmark Bank PLC	8	Heritable & Gen Inv Bk	8	Whiteaway Laidlaw	8½
Berliner Bank AG	8	● Hill Samuel	§8	Yorkshire Bank	8
Brit Bk of Mid East	8	C. Hoare & Co.	8		
● Brown Shipley	8	Hongkong & Shangh	8		
Business Mtge Tst	8½	Lloyds Bank	8		
CL Bank Nederland	8	Meghraj Bank Ltd	8		
Central Capital	8	Midland Bank	8		
● Charterhouse Bank	8	Mount Bnkg Corp.	8		

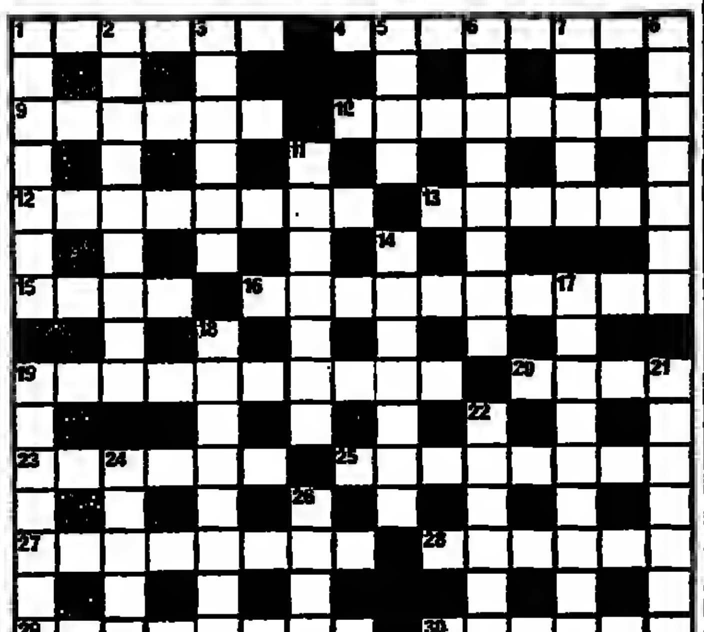
● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.25%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.125% - 9.5%

JOTTER PAD

FT CROSSWORD No.6,629

SET BY CINEPHILE

Operas could be seen at the diagonal lines of squares running through those marked 11, 14 and 20 (7,5) and 18, 25 and 28 (6,6)



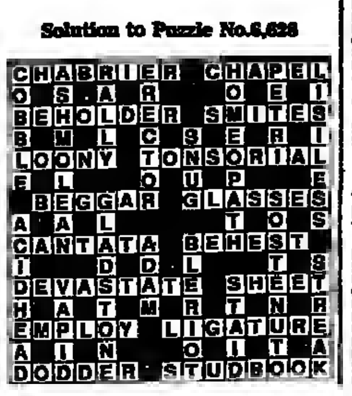
ACROSS

1 Lady companion in vicarage is hanged (6)
4 Healthy animal going all the way (5,3)
9 Officer of the day keeps gun in port (6)
10 Overflow: I have a sister to go out with (8)
12 Sort of oak for Irish actor? (4,4)
13 Escaped from 5, a deed that went wrong (6)
15 First diocese understood? (1,3)
16 Be a burden to deceive? (6,4)
19 Oriental tree on Italian promontory could give good evidence (10)
20 It's not good to be back (4)
23 Irishman churchy? That's inconsistent (6)
25 Sprays also work without love (8)
27 Past actors under a cloud? (8)
28 Lines in cubes for refrigerator (3,3)
29 Unwarranted intrusion of father into lock (8)
30 Number gets wrong return in game (6)

DOWN

1 Dumplings go round pole, awfully chic (7)
2 Intrude in troubled 10? I never! (9)
3, 5 Passage of baton in fight? (4-2-4)
6 Given out in base in consideration of what is to come (4,4)
7 One among cows may be caught (5)
8 Prize weapon shielding wrongdoer (7)
11 Suicidal creature with joint about 2,000 inches (7)
14 Nothing in list for cock (7)
17 Automatic return of first volume in dance (9)
18 Drink on top of pyjamas? (8)
19 Make unjustified use of adventure? (7)
21 Fewer letters from waterway man (7)
22 Get away with horse for turning in (2,4)
24 Article on compiler's topic (5)
26 River goddess (4)

Solution to Puzzle No.6,628



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AUTHORISED UNIT TRUSTS

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Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Anteros (1987)	205.6	219.7	+0.7	2.8
Columbus 1989	121.7	130.2	-1.9	1.5
Marco Polo (Pac)	216.8	231.9	-2.4	0.35
Da Vinci (Eur)	215.9	231.0	-2.0	1.96
Drake (Wrld)	32.0	35.7	-0.2	2.57

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	203.8	216.4	+0.7	2.61
UK Smlr Cos Eqty	210.7	224.2	-0.3	2.07
UK Spec Sits	62.2	66.2	-0.1	2.75
Income Plus	52.9	56.3	-	5.32
European	154.1	164.1	-0.5	1.15
Far Eastern	53.1	56.5	-0.7	2.00
Japanese	56.5	60.2	+0.1	-
North American	104.9	111.7	-1.5	1.52
Intl Growth	105.5	112.3	-1.1	0.87
Worldwide Venture	52.2	55.6	+0.1	3.68

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh EH2 2YA 031-558 2341/2/3

Equity Growth Acc	17.39	18.61	+0.02	3.01
Equity Growth Inc	17.22	18.43	+0.02	3.01
Intl Growth Acc	16.54	17.70	-0.20	1.72
Intl Growth Inc	16.44	17.60	-0.19	1.72
Global Income Acc	18.34	19.63	-0.18	5.47
Global Income Inc	18.34	19.63	-0.18	5.47
Market Leaders Acc	16.39	17.54	+0.12	3.44
Market Leaders Inc	16.16	17.30	+0.11	3.44

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

Pacific (z)	85.6	90.8	-0.7	0.00
Income	52.1	55.4	+0.1	4.41
European (z)	32.8	34.9	-0.5	1.22
Nth American (z)	26.3	28.0	-0.3	0.82
Intl Growth	429.4	456.8	-3.1	1.27
Gwth & Recovery	48.4	51.3	+0.2	2.39

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-440 5724

Peg Equity Acc	315.4	335.6	-1.7	3.70
Peg Equity Inc	261.5	278.3	-1.4	3.70
Peg High Inc Acc	159.8	169.2	-1.0	4.48
Peg High Inc	146.8	156.3	-0.9	4.48
Peg Europe Acc	116.1	123.6	+0.2	1.99
Peg Europe Inc	114.9	122.3	+0.2	1.99
Peg Nth Amer	79.3	84.4	-1.7	1.04
Peg Nth Amer Inc	77.2	82.1	-1.6	1.04
Peg Pacific Acc	234.3	249.4	-3.7	-
Peg Global Acc	117.2	124.8	-1.2	2.94

Vanguard Trust Managers Ltd — Contd.

American & Gen	52.5	55.9	-0.6	2.01
(Accum Units)	53.9	57.3	-0.7	2.01
Growth	211.9	225.4	+0.1	2.82
(Accum Units)	319.4	340.0	+0.2	2.82
High Yield	268.9	286.1	+3.4	4.49
(Accum Units)	288.5	306.9	+1.6	4.49
Special Sits	52.6	56.0	+0.5	2.36
(Accum Units)	54.2	57.7	-0.4	2.36
Trustee	157.2	167.2	-0.1	4.19
(Accum Units)	255.2	271.5	-0.2	4.19
European Inc	34.9	37.1	-0.6	0.59
(Accum Units)	35.1	37.3	-0.6	0.59

Waverley Unit Trust Managers Ltd (a)
99, Bishopsgate, London, EC2P 2LA 01-374 0861

American	48.5	51.6	-0.4	1.6
Intl Growth	63.2	67.3	-0.6	0.4
Income	111.7	119.6	-0.9	5.5
Japan Growth	182.6	195.4	-1.4	0.1
Pacific Perf	113.8	121.8	-0.7	0.4
Small Co's	138.4	148.1	-0.5	1.5
Technology	31.8	34.0	-0.2	0.1
Australia	47.3	50.6	-0.4	1.5
UK Trust	156.7	167.5	+0.7	2.8
European Growth	39.5	42.2	-0.5	0.1
Hong Kong	25.0	26.8	-0.2	1.3
Intl Income	19.1	20.5	-0.1	8.5
S'pore & Mlysn Gth	17.9	19.1	-	1.0
British Winners	24.6	26.9	+0.1	2.8

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	17.7	18.8	-0.3	0.00
Pacific Basin	21.7	23.1	-0.3	0.1
Cha Balncd Gwth	43.3	46.0	-0.7	0.0
Glaxis Mac	97.4	101.5	.....	8.6
Penny Share	26.4	28.0	.....	0.5

Wellington Fund Mngrs Ltd
2, London Bridge, SE1. 01-407 4404

Wellington Income	105.3	112.1	-1.9	4.78
Wellington Growth	163.3	173.7	-4.0	1.94

Wessex Asset Management
2 Richmond Hill, Bournemouth BH2 6HW 0202 299432

Wessex UK Gwth	91.7	95.71	-0.2	-

Whittingdale Unit Trust Management Ltd
2 Honey Lane, London EC2V 8BT 01-606 3132

Challenger	53.6	94.3	-	-
Short Dtd Gilt	77.1	78.1	-	-
U.S. Bonnet Bond	0.528	0.529	-	-

Wright Seligman Fund Managers Ltd

The Yorkshire Unit Trust Managers Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Albany Life Assurance Co Ltd

Avon Insurance Plc
Tiddington Rd, Stratford-upon-Avon

Bonus Exempt	70.3
Bonus Fund	61.1

Barclays Life Assur. Co Ltd
252 Romford Road, London E7

Black Horse Life Ass. Co Ltd

Britannia National FinancialServices

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

City of Westminster Assurance Co

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Crusader Insurance Plc

Devonshire Life

Eagle Star Insur./Midland Assur.

Equity & Law

FS Assurance Limited

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident

GT Management Ltd

General Accident Linked Life Assurance Ltd

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Imperial Trident Life Ltd

Interlife Assurance Co. Ltd.

Irish Life Assurance Co Plc

The LAS Group

Lancashire & Yorkshire Assce. Society

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Group

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd

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MANAGEMENT SERVICES

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OFFSHORE AND OVERSEAS

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100⅞	99⅞	Treas 9¾pc Cv '88	100⅞xd	—	9.73	7.66
99	98	Transport 3pc '78-88	99	—	3.01	6.48
100	99	Treas. 9½pc '88	100	—	9.46	8.43
102	101¾	Treas 11½pc 1989	102¼	—	11.26	8.55
101	99¾	Treas 9½pc Cnv 1989	100¼	—	9.43	8.60
97	95	Treas 3pc 1989	96	—	3.10	6.39
102	100	Treas 10½pc 1989	101xd	—	10.32	8.80
102	100	Exch 10pc 1989	101	—	9.87	8.86
103	101	Exch 11pc 1989	102	—	10.71	8.84
97	95	Treas 5pc 1986-89	96	+⅛	5.17	7.42
104	101¼	Exch 10¼pcCv '89	102xd	+⅛	9.97	8.20
107½	105	Treas 13pc 1990	106	—	12.23	8.80
104¼	102¼	Exch 11pc 1990	103	—	10.64	8.86
107	105	Exch. 12½pc 1990	106	—	11.79	8.91
93	91	Treas. 3pc 1990	92	–⅛	3.23	6.94
99	98	Treas 8¼pc 1987-90	99xd	—	8.33	8.76

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89	82	Treas. 7¾pc 2012-15	87	+⅛	8.90	9.04
130	121	Exch. 12pc '13-'17	127	+⅛	9.40	9.18

Undated

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
44	41	Consols 4pc	43	—	9.16	–
39	37	War Loan 3½pc	39	—	9.97	–
52¼	48	Conv. 3½pc '61 Aft	51	—	6.79	–
33	30	Treas. 3pc '66 Aft	32	+⅛	9.25	–
28	26¼	Consols 2½pc	27	—	9.11	–
28	26¼	Treas. 2½pc	27	—	9.11	–

Index-Linked

(1) (2)

1988 High	Low	Stock	Price £	+ or –	(1)	(2)
120	117½	Treas 2pc IL '90(84.6)	119½	+⅛	8.59	2.09
101	99	Do. 2pc '92(97.8)	100	+⅛	2.09	2.75
136	127	Do. 2pc '96(67.9)	135	+⅛	2.94	3.26

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
33½	27⅞	Scot Co. Inc. $1	30¼	−⅛	$3.00	—	5.4
28⅞	22¾	TRW Inc. 62½c	22¾		$1.60	—	3.8
25⅞	21¼	Tenneco $5	22½	−¼	$3.04	—	7.5
27⅞	19⅞	Texaco $6 25	26¾	−⅜	$3.00	—	6.1
52¼	43¼	Time Inc. $1	46¼	−⅜	$1.00	—	1.2
20⅜	15⅞	Transamerica $1	16½	−⅜	$1.84	—	6.1
10⅛	754p	Transworld Corp $5	898p	−⅜	20c	—	1.2
20⅛	15	TRINOVA Corp	15¼	−¼	36c	—	2.0
19	15⅛	USX $1	16⅞	−⅛	$1.20	—	4.0
23	17⅞	Utd. Technologies	19⅞	−⅝	$1.60	—	4.4
31⅞	26¼	U3 West	27⅞	−⅛	$3.52	—	7.1
21¼	16⅞	Waste Management $1	18	−⅛	36c	—	1.1
16⅜	12⅞	Whirlpool $1	14½	−⅛	—	—	—
32⅞	18¼	Woolworth $3½	28	−¼	$1.64	—	3.2

CANADIANS

1988 High	Low	Stock	Price	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	190p	ABM Gold Corp	194p	+1	—	—	—
32p	11p	Abbot Energy Corp	11p		—	—	—
14¼	990p	Amer. Barrick Res.	10¼	−⅛	—	—	—
10p	3½p	American Lightwave	7p		—	—	—
47p	21½p	Armeno	28p	+1	—	—	—
76p	45p	Augmitto Explo.	47p		—	—	—
12¼	10¼	Bk. Montreal	11½		$2.00	—	7.9
595p	514p	Bk. Nova Scot.	524p	+10	76c	—	6.4
17½	15¼	BCE	16⅜	+⅛	$2.44	—	6.6
716p	591p	Bow Valley	610p	−21	40c	—	2.9
12¼	10½	Brascan	10¼		88c	—	3.6
328p	189p	Breakwater Res.	221p	+1	10c	—	2.0
953p	801p	Can. Imp Bank	875p	−12	$1.16	—	5.8
10¼	841p	Can. Pacific	966p	−24	60c	—	2.7
41½	40	Do. 4pc Deb £100	40½		4%	—	9.9
476p	378p	Central Capital "A"	378p	−3	—	—	—
886p	288p	Cons. TVX Min.	313p	−9	—	—	—
188p	76p	Danbus Res.	388p	+4	—	—	—
536½p	430p	Derlan Inds.	497p	+4	11.75c	—	1.0
14¼	984p	Echo Bay Mines	10½	−⅛	20c	—	0.8
40p	26p	Energex Minerals	29p	−1	—	—	—
107p	83p	Euro-Asia Capital Ltd.	86p		—	—	—
375p	222p	Galactic Resources	340p	+2	—	—	—
123p	99p	Geodome Res.	121p	+1	—	—	—
394p	210p	Granges Explo	227p	+2	—	—	—
16½p	8½p	Gt Pacific Res.	8½p		—	—	—
899p	652p	Gulf Canada	783p	−25	52c	—	2.9
10¼	816p	Hawker Sid Can	10½	−⅛	$1.08	—	4.7
588p	344p	Henlys Group	518p	−34	—	—	—
957p	785p	Hudson's Bay	821p	+2	60c	—	3.2
27⅝	22⅞	Imperial Oil	25¼	−⅛	$1.80	—	3.1
15¼	10½	Inco	14	−⅛	US$0.80	—	3.1
451p	312p	Intl. Corona Res.	383p	−14	—	—	—
718p	462p	Inland Nat. Gas $1	529p	−18	60c	—	5.0
577p	390p	Lacana Mining Corp	470p	−12	015c	—	1.4
250p	150p	Madeleine Mines	179p	−1	—	—	—
181p	126p	Muscocho Explo.	151p	+1	—	—	—
187p	108p	Ntnl Business Syst.	108p		—	—	—
237p	110p	Nevada Goldfields	158p	−14	—	—	—
12	787p	Rio Algom	919p	−30	$1.30	—	6.3
13½	11½	Royal Bk. Can.	12		$2.08	—	7.6
[illegible]	177p	Royex Gold Mining	227p	+2	—	—	—
32½	26⅞	Seagram	27⅞		US$1.10	—	2.2
[illegible]	201p	Sonora Gold Corp	281p	−9	—	—	—
[illegible]	18p	Spiral Eng.	52p	+2	—	—	—
115p	35p	Tam Pure Tech. Corp.	95p	−8	—	—	—
[illegible]	11½	Toronto-Dom. Bk.	12½		92c	—	3.3
[illegible]	21½p	Trans Atlantic Res	26p		—	—	—
67[illegible]	566p	Trans Can Pipe	615p	−9	68c	—	4.9
201[illegible]	127p	Varity Corp	164p	−5	—	—	—

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
181	131	ANZ $A1	165	−1	Q21c	3.1	5.0	6.6
234	200	Allied Irish	213		1061.6%	3.0	6.4	7.0
£12⅞	£10½	Algemene Fl.10	£10⅞		Q27%	♦	7.2	♦
70	58	Anglo Irish	65		Q19.67%	1.2	6.8	19.0
71	64	Ansbacher (H.) 1p	72		2.0		3.8	—
£34¼	£24⅝	Banco de Bilbao S.A.	£32½	−⅜	041.1%	3.1	3.1	8.8
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

هكذا عن الأصل

LONDON SHARE SERVICE

INSURANCES—Contd

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
360	493	[illegible] Friendly 5 10p	525xd		25.0	1.8	6.3	11.4
247	202	Willis Faber 12½p	229	+6	11.40	1.4	6.7	11.8
75	52	Windsor Secs. 10p	63	+1	0.8	♦	1.7	♦

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
133	89	Medirace 10p	187	.....	–	–	–	–
12½	6½	Moray Firth 2p	11	.....	–	–	–	–
38	16	Norton Group 5p	18	.....	–	–	–	–
59	36	Ovoca Gold IR 2p	50	.....	–	–	–	♦
50	33	Propeller 1p	46	+1	–	–	–	9.6
31	13	Publishing Hldgs.5p	16	–1	–	–	–	♦
80	70	Seacon Hldgs	71	+1	–	–	–	53.7
27	18	Stats Hldgs 5p	21	+1	–	–	–	20.0
4½	3	Swanyard Studios 1p	3½	.....	–	–	–	–
262	200	Takare	253	.....	b1.0	8.1	0.5	26.0
37	41	Theme Holdings	47	+1	1.1	♦	3.1	♦
36	26	Tomorrows Leisure 20p	28	+2	–	–	–	11.2
25	14	Tullow Oil 20p	17	.....	–	–	–	–
135	120	UPL Group 10p	120	.....	L2.41	♦	2.7	♦
142	120	Unit Group	141	.....	R4.6	2.5	4.3	10.1
95	85	Video Tape Record 5p	93xd	+1	L2.3	2.3	3.3	13.4

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p γ	71xd	.....
Craig & Rose £1 γ	680	.....
Finlay Pkg. 5p γ	78xd	.....
Holt (Jos) 25p γ	£11¾xd	.....

IRISH

Stock	Price	+ or –
Nat. 9¾% 84/89	£101	.....
9pc Cap Ln. 1996	£98¼	.....
Fin. 13% 97/02	£118¾	.....
Arnotts γ	310	.....
CPI Bldgs γ	90	.....
Carrol Inds γ	145	–2
Hall (R. & H.)	135	.....
Helton Bldgs γ	41	.....
Irish Ropes γ	125	.....
Unidare γ	350	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp.	40
BSR	18
BTR	28
Barclays	40
Beecham	46
Blue Circle	42
Boots	26
Bowaters	30
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FBFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
BET	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	26
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42

Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40

Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	118
Tricentrol	18
Ultramar	24

Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Apl 25	May 5	May 6	May 16
May 9	May 19	May 20	May 31
May 23	Jun 2	Jun 3	Jun 13

*New time dealings may take place from 9.00 am two business days earlier.

Markets recover from fears over higher interest rates and index closes 15.5 up

A SENSE of relief spread through stock markets around the world yesterday after qualification of the UK Chancellor of the Exchequer's observations on international interest rates. Mr Nigel Lawson was reported as having said a coordinated effort on rates by West Garmany, Japan and other nations "is certainly possible" if US levels were raised. But the Wall Street Journal acknowledged yesterday the omissionof his qualifying remarks. Mr Lawson had added, "What I'm saying is that we do keep very closely in touch with each other. I wouldn't go further than that".

Tokyo investors were the first to regain their nerve. The Nikkei average regained only 50 points or so but the rise flew in the face of wild forecasts of a oharp fall, possibly ranging to 500 points. A Japanese chartist theory of an impeoding collapse in Japanese stocks if the index closes below 27,300 today is causing anxiety not only in Tokyo but also other world centres.

The UK market was somewhat cautious at the start with market-makers unsure whether the previous session's sell-off had run its course. Events quickly proved sellers were giving woy to fresh demand, altbough the early business appeared technical and the result of a sqoeeze on traders' short positions.

Institutional investors continued to withhold funds, remaining uncertain of the market's bealth. A fund manager commented:"It looks sound on the surface but it still has a soft belly". However, the lights on some of the recognised situatioo stocks began to shine more brightly.

Specific sectors of the market also turned in above-average performances with Properties claiming good support. This was aroused by the Bond Corporation of Australia deal with Imry Merchant which emphasised the increasing overseas interest in the UK commercial property market.

Most quality issues improved during tbe session with the notable exceptioo of recent stalwart Rowntree. James Capel, the leading agency broker which has been buying aggressively on behalf of Nestlé, stood back yesterday and the shares moved below the Nestlé offer price of 890p cash per share plus the dividend payment of 10½p. Turnover naturally contracted to a mere fractioo of recent levels, totalling only 1.5m shares. Traders said the deepening shadow of a Monopolies & Mergers Commission referral was a drag on sentiment and the shares closed 24 down at 885p.

Wall Street at the opening followed the global pattern and Londoo sighed with relief again, sending the "Footsie" index up to near the best level of the day. It finally regained 15.5 – some 40 per cent of Wednesday's loss – at 1772.3. Eqnity volume measured by the Seaq system contracted to 343.9m shares from 483.8m on Wednesday.

UK Gilt-edged stocks again moved narrowly awaiting the outcome of yesterday's final round of the three-day US Treasury refunding programme. So far the auctions have been successful, particularly Tuesday's issue of short bonds, and the bond market has shown resilience to rising rates for credit.

Longer-dated Gilts eased initially before support at the levels restored quotations to their overnight positions. The US retail sales figures for April made littls impact but today's US producer prices for the same month will be watched more closely for any sign of rising inflation.

Plessey took up the running in the electronico sector with a number of rumours circulating in the market. The shares toucbed 158p before closing a net 6 up at 157p on turnover much increased at 9.3m.

There was talk of a a possible management huy-out of the semi-conductor business, as well as rumours of another bid materialising from GEC and speculation that STC had been behind the buying of the shares a couple of months ago, picking up a stake of around 2 per cent.

But dealers and analysts said mucb of the buying reflected an oversold position in the shares ahead of Plessey's preliminary figures, expected in two weeks time. Chase Manhattan's Brian Newman is forecasting fourth-quarter profits of a record £70m giving full-year earnings of £175m, and says prospects look good for £200m in 1988-89.

Wellcome moved up 7 to 484p in a volume of 2.2m shares as Flemings Research reaffirmed its buy recommendation following the two-day visit of analysts to Burroughs Wellcome in the US. Flemings say that Wellcome has capacity to prodnce np to 70 tonnes of the Aids drug Retrovir annually at the Grenville plant in North Carolina.

Combined with Dartford UK plant, this gives the group mannfacturing ability worth around $500m per annum. On this basis they believe there is further scope for an increase, albeit modest, in the gross margin achieved on Retrovir. Cheaper sources of raw materials may additionally enhance profit margins.

Caradon, the building products group, responded enthusiastically to the disclosure of a 95 per cent increase in annual profits to £20.7m coupled with the proposed acquisition of Everest, one of the best known brand names in the UK home improvement market.

Everest is being purchased from RTZ for £31.9m, and to help finance the deal Caradon intends to place 6.7m new shares at 280p with an open offer to existing shareholders. The shares rose 18 to 323p yesterday.

Royal Insurance, strongly bought over the past week or so in the run-up to the first-quarter figures, came out with acutely disappointing results which saw the shares tumble 23 to 399p, after turnover of just short of 4m.

Royals' profits – up 15 per cent at £55m – compared with estimates, already recently downgraded, of between £66m to £73m. They immediately triggered waves of heavy selling pressure accompanied by talk of severe downgrading for the full year by leading analysts. Previous figures of aronnd £400m for the year were said to have been reduced to the £320m level.

Pearl, the life assurance group, moved back into the limelight and rose 9 to 474p, after 478p, as it was confirmed that Larry Adler's FAI Group had been back into the market and increased its stake from around the 6.46 per cent level to 7.1 per cent, or 12.79m shares.

BP followed Shell in releasing first quarter results bang in line with market expectations and BP "old" settled unchanged on the day at 265p after a turnover of 2.7m while the "new" were finally a fraction harder at 69½p as 2m shares moved through the SEAQ system. Shell wera little changed at 1043p despite a number of "buy" recommendations on the stock after the figures.

Standard Chartered shares tumbled during the early afternoon wheo oews agencies reported that the bank had confirmed it was to raise some £200 to £300m via a rights issue.

Standard shares, then standing around the 422p mark, quickly dipped to around 407p before the realisation that the rights issue – widely predicted in the financial Press many weeks ago – would not take place until around the autumn. The price thereafter rallied strongly and eventually closed barely changed at 421p.

The dismal figures from Royals cast a momentary shadow over the rest of the composite insurance sector but it quickly rallied after good first quarter results from General Accident. The latter came out with profits more than trebled up from £17m to £58.7m. General shares ended the session 5 up at 915p.

Commercial Union, despite numerous leading brokers downgrading their current year forecasts, rose 6 to 351p after receiving a generally impressive Press on the first quarter numbers.

Brokers gained ground across tha hoard led hy C.E.Heath, where Warburg Securities were strong huyers, and Sedgwick, where SBCI Savory Milln, issued a buy recommendation; the latter's Julianne Jessup says Sedgwick "looks to be coming to the end of a long period of underperformance and poised for a re–rating." Sedgwick's first quarter figures are expected on May 27.

Market-newcomer Serco, a facilities and project management company, touched 240p before closing at 238p, compared with an opening price of 230p.

Grand Metropolitan reconped most of the previous day's losses as a number of analysts digested the interim figures and changed their forecasts for the full year from £550m to £570m. The shares closed 11 up at 495p with some 3m traded.

Other leading brewers fared well on interest generated by continued bid speculation in Scottish and Newcastle – 7 better at 289p. Allied Lyons rose 5 while Bass put on 13 and Whitbread gained 7 to 309p.

Vaux Group rose sharply to 581p as yesterday's analysts' meeting revealed that Sir Ron Brierley had accumulated a 2 per cent stake in the company. Earlier in the day the interim pre-tax profits of £9.7m failed to impress the market.

Greene King acquired a 30 per cent stake in Rollerbury, an East Anglia-based private leisure company, but showed little reaction closing up 3 at 453p.

Housebuilders took a distinct turn for the bettar as interest rate fears gradually subsided. Business was not particularly heavy, bot bear closing and the occasional bargain hunter resnlted in gains of around 5. Fairbriar, however, moved up 12 to 420p in belated response to the bumper results and the proposed one-for-one scrip issue.

Elsewhere, BPB picked np 6 to 273p after recent weakness on plasterboard competition worries. Persistent small speculativa demand left Ruberoid 3 to the good at 161p.

ICI failed to join in the recovery movement, closing unaltered at 967p after fluctuating within narrow limits.

Marks and Spencer made strong progress and closed a net 5 up at 179p on turnover of 4.3m after the good Press given to the preliminary figures.

Other firm features in stores incloded Storehouse, where revived bid speculation drove the shares up 6 to 259p. Woolworth put on 7 to 290p after the annual statement revealed the company's intention to seek permission from shareholders to buy up to 10 per cent of the company's shares.

Revived takeover speculation was responsible for boosting Northern Foods 4 to 298p. Tate & Lyle, after further extending the $35 a share offer for US group Staley Continental, jumped 18 to 778p. A buy circular helped produce widespread but generally minor gains in food retailers.

International stocks staged a largely technical rally as interest rate and currency worries faded into the background. An early improvement on Wall Street also helped underlying sentiment and most quotations ended at around the day's best. Glaxo lead the recovery with a gain of 13 at 988p, while Beecham recorded a rise of 6 at 461p. BOC, reflecting occasional buying interest ahead of next Tuesday's interim figures rose 3 to 380p in a volume of some 1.7m. Reckitt and Colman rebounded smartly at 864p, up 15.

English China Clays interim results were well received in the market with the shares improving 9 to 237p in a volume of around 2.7m. Pre-tax profits at the half-way mark came out at £59.9m which were slightly above analysts' best estimates of £58m.

Reuters B, hard hit in the previous trading session in the wake of currency worries, regained 9 to 467p, while others to rally inclnded British Aerospace, up 7 at 398p, and Cookson, 7 better at 530p.

Takeover hopes resurfaced in Low and Bonar which improved 4 to 258p, but CCF dipped 19 to 158p following the annual meeting at which ths chairman revealed significantly lower profits in the first half of the year.

Imry Merchant inspired the property sector with a series of joint ventures with Bond Corporation, including a 50 per cent stake in Imry's St. George's Hospital development at Hyde Park Corner, designed to keep Bond more closely attuned to the UK property market. Imry peaked at 393p before closing 7 up at 389p. Elsewhere the leaders posted mark-ups as the sector waited for next week's final figures from Land Securities, up 15 at 560p. MEPC rose 19 to 534p while British Land put on 10 to 324p. Stanhope gained investors' approval for the deal with Olympia & York which gives the Canada-based company 33 per cent of Stanhope at a cost of about £137m; the shares raced higher to 298p before closing 15 better at 292p.

BAT Industries continned to attract attention as analysts predicted an acceleration of events in the US concerning the bid for Farmers and good first-quarter figures, due May 25. The ohares closed at 406p, up 5.

A slight reduction in business in traded options saw calls of 18,178 and puts of 13,660 give a grand total of 31,838 contracts. Plessey attracted 2,713 calls and 272 puts while Marks and Spencer were the subject of 1,551 calls and 834 puts.

FINANCIAL TIMES STOCK INDICES

	May. 12	May. 11	May. 10	May. 9	May. 6	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.87	89.83	89.83	89.89	89.76	92.92	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.18	97.65	97.57	97.20	97.25	98.05	98.31 (19/4)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1417.6	1406.4	1435.8	1438.0	1440.1	1684.2	1478.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	196.1	197.3	198.2	198.5	201.7	420.8	312.5 (7/1)	196.1 (12/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.61	4.64	4.53	4.52	4.51	3.41				
Earnings Yld. %(full)	11.91	12.03	11.71	11.67	11.67	8.20				
P/E Ratio (net)(*)	10.29	10.19	10.46	10.51	10.47	15.01				
SEAQ Bargains (5pm)	23,092	26,862	22,321	24,297	36,681	47,513				
Equity Turnover (£m)	-	1224.68	1022.51	923.89	1727.61	1776.6				
Equity Bargains	-	27,134	26,494	30,393	39,526	61,468				
Shares Traded (ml)	-	483.8	349.8	360.0	586.6	705.5				

S.E ACTIVITY

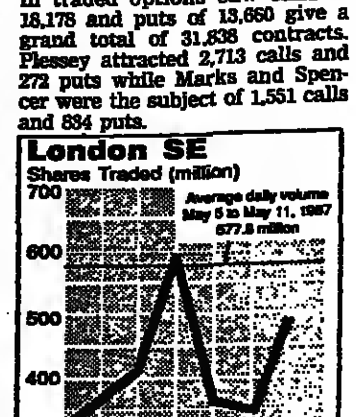
Indices	May.11	May.10
Gilt Edged Bargains	138.4	129.9
Equity Bargains	175.8	171.7
Equity Value	2475.4	2066.8
5-Day average		
Gilt Edged Bargains	124.7	120.8
Equity Bargains	204.7	210.8
Equity Value	2401.1	2371.8

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1408.9	1413.2	1415.7	1417.2	1418.2	1415.5	1416.3	1415.8

Day's High 1418.8 Day's low 1407.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.19.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001



Traditional Options

- First dealings May 3
- Last dealings May 13
- Last declarations July 8
- For Settlement Aug 8

For rate indications see end of London Share Service

A reasonable level of activity developed in the Traditional option market. Money was given for the call of Carless Capel, Harmony Leisure, Astra Holdings, Biritish Petroleum partly-paid, Church and Co., Bestwood, Racal, Grand Metropolitan, Cadbury Schweppes, North Kalgurli, C. Baynes, LASMO, Harris Queensway, Wembley, BOM Holdings and NMW Computers. ICH were dealt in for the pot, while donble options were arranged in British Petroleum partly-paid and Carless Capel.

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (36).
AMERICANS (1) Amdahl, CANADIANS (1) Dambus Res., BREWERS (4) Macallan-Glenlivet, Macdonald Martin A, Young Brew A, Do. Non/Vtg., BUILDINGS (2) Conder Group, Fairbriar, STORES (1) Stead & Simpson, ENGINEERING (3) Ash & Lacy, Desoutter Bros., TACE, HOTELS (2) Aberdeen Steak House, Savoy A, INDUSTRIALS (2) Assoc. Energy, Relyon, INSURANCE (2) Steel Burrill, Sun Life, NEWSPAPERS (1) Haynes Publishing, PAPERS (3) Printech Intl., Sterling Publishing, Watmoughs, PROPERTY (5) Bilton (P.), Lon. Shop Prop. 9.25% 1999/2020, Randsworth Tst., Slough Estates, Do. 8% Cnv. 1991/94, SHIPPING (1) Graig Shipping, TEXTILES (1) Toray, TRUSTS (6) City of Oxford, Cons Venture, Lon. Merchant, Do. Defd., Do. 7.75% 2000/05, Renaissance Hldgs., THIRD MARKET (1) M.L. Laboratories.

NEW LOWS (33).
AMERICANS (8) CANADIANS (2) BANKS (3) CHEMICALS (3) STORES (2) ELECTRICALS (2) FOODS (1) INDUSTRIALS (8) Baxter Travenol, CCF, Epicure Hldgs., Mainmet Hldgs., Pacer Systems, Rotte & Nolan, INSURANCE (1) NEWSPAPERS (2) PAPERS (1) SHOES (1) SOUTH AFRICANS (1) TRUSTS (8) OILS (1) MINES (12).

TRADING VOLUME IN MAJOR STOCKS

The following is based oo trading volume for Alpha securities dealt through the SEAQ system yesterday until 3 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	578	General Accident	470	Prudential	372
Allied-Lyons	540	General Elect.	6,000	Racal	2,300
Amstrad	607	Glaxo	1,000	Rank Org.	148
Argyll Group	4,300	Globe Investment	166	RMC	395
Assoc. Brit. Foods	603	Granada	59	RHM	347
BAA	626	Grand Met.	3,000	Reckitt & Colman	285
BAT	2,500	GUS "A"	463	Redland	173
BET	2,800	Guardian R.E.	146	Reed Intl.	1,200
BICC	77	GKN	977	Reuters "B"	580
BOC	1,700	Guinness	1,200	RTZ	439
BPB Inds	464	Hammerson	0	Rolls-Royce	2,200
BTR	789	Hanson	4,000	Rothmans "B"	1,100
Barclays	795	Hawker Siddeley	437	Rowntree	1,500
Bass	1,000	Hillsdown Holdings	548	Ryl Bank Scotland	528
Beecham	1,300	IMI	74	Royal Insurance	3,900
Blue Arrow	1,800	ICI	763	STC	1,000
Blue Circle	211	Jaguar	738	Saatchi & Saatchi	638
Boots	1,800	Ladbroke	1,900	Sainsbury	588
Brit. Airways	1,100	Land Securities	3,000	Scott & Newcastle	1,000
Brit. Aerospace	1,400	Laporte	535	Sears	1,200
Brit. & Comm.	257	Legal & General	791	Shell Transport	368
British Gas	5,400	Lloyds Bank	466	Smith & Nephew	2,200
BP	2,700	LASMO	561	Standard Chartered	409
Brit. Telecom	4,300	Lonrho	2,600	Storehouse	1,100
Burmah Oil	496	Lucas	413	Sun Alliance	19
Burton	1,000	MEPC	1,200	T & N	12
Cable & Wireless	1,700	Marks & Spencer	4,300	TSB	4,500
Cadbury Schweppes	936	Maxwell Comm.	2,500	Tarmac	1,400
Coats Viyella	1,000	Metal Box	1,600	Tesco	1,600
Commercial Union	3,000	Midland Bank	546	THORN EMI	115
Cons. Gold	450	NatWest Bank	755	Trafalgar House	1,400
Cookson	330	Next	1,000	Trusthouse Forte	524
Courtaulds	469	Northern Foods	1,400	Ultramar	2,000
Dalgety	115	Pearson	83	Unilever	434
Dee Corporation	1,400	Pearl Group	781	United Biscuits	1,000
Dixons	2,000	P & O	1,100	Wellcome	2,200
English China Clays	2,800	Pilkington	1,300	Whitbread "A"	478
Enterprise Oil	572	Plessey	9,300	Williams Holdings	647
Fisons	1,500			Woolworth	1,300

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	64	26	23
Corporations, Dominion and Foreign Bonds	19	12	22
Industrials	519	241	792
Financial and Properties	206	85	355
Oils	23	33	50
Plantations	0	1	12
Mines	24	69	102
Others	44	118	94
Totals	899	585	1,450

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Thursday May 12 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed May 11 Index No.	Tue May 10 Index No.	Mon May 9 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (207)	748.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (29)	967.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (34)	1543.58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	2004.23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (32)	1586.62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (56)	387.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	442.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (13)	267.81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (24)	1340.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (187)	1048.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	1086.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (23)	887.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	1988.83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (12)	1767.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (30)	1273.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	491.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (16)	3304.86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (35)	806.92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (18)	591.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (93)	859.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	1113.99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (14)	1157.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (26)	1111.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (487)	929.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (13)	1888.37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (122)	668.34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	626.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	985.37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	528.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	925.58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	341.93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (30)	378.04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (81)	858.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	475.69	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	1021.96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (713)	914.70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX ♦	1772.3	+15.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Thu May 12	Day's change %	Wed May 11	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked					
6 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS

	Thu May 12	Wed May 11	Year ago (approx.)
British Government (1–10 Low/Medium/High Coupons, Irredeemables)	[illegible]	[illegible]	[illegible]
Index-Linked (11–14 Inflation rate 5% / 10%)	[illegible]	[illegible]	[illegible]
15–17 Debs & Loans	[illegible]	[illegible]	[illegible]
18 Preference	[illegible]	[illegible]	[illegible]

♦Opening index 1759.9; 10 am 1766.4; 11 am 1769.6; Noon 1771.5; 1 pm 1772.4; 2 pm 1768.2; 3 pm 1769.3; 3.30 pm 1769.1; 4 pm 1770.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
NAME CHANGE: Delta Group(6) has changed to Delta.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*402)	360	47	58	-	6	12	-
	390	29	40	48	20	25	30
	420	14	25	35	37	43	48
Brit. Airways (*157)	140	21	27	30	6	8	11
	160	8	14	18	14	17	20
	180	5	7	10	30	33	37
Brit. & Comm. (*258)	260	18	27	32	17	20	22
	280	10	18	25	27	30	33

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
LASMO (*395)	360	37	37	72	5	15	23
	390	11	40	53	8	25	35
	420	1½	25	40	30	42	50
P. & O. (*564)	500	67	82	92	1	7	15
	550	18	45	60	5	25	35
	600	1½	25	37	40	47	60
Pilkington (*203)	180	25	30	-	2	7	-
	200	8	16	25	5	16	22

May 12 Total Contracts 31,838 Calls 18,178 Puts 13,660
FT-SE Index Calls 1,944 Puts 3,975
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡	F.P.	-	199	184	Acre Oil 50p	189	+4	W3.5	2.1	2.5	25.7
95	F.P.	12/5	98	94	B.W.D. Securities	94		3.75	3.3	5.3	7.6
330	120	-	80	68½	British Petroleum	70	+1½	R12.5	1.5	6.0	13.9

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

CANADA

TORONTO
Closing prices May 12

1—No voting rights or restricted voting rights.

MONTREAL
Closing prices May 12

41128	Bank Mont	$25¾	25¼	25¼	−⅛
3872	BombrdrA	$09⅝	09½	09⅝	+⅛
42841	BombrdrB	$09¾	09½	09½	
3200	CB Pak	$18½	18¼	18¾	
16280	Cascades	$06¼	06	06⅛	+⅛
702	ConBath	$15½	15⅛	15½	−⅛
10443	DomTxtA	$17	16¾	17	+⅛
5825	MntTrst	$15¾	15½	15⅝	+⅛
53430	NatBk Cda	$09½	09¼	09⅜	
7782	Noverco	$11⅛	11	11	−¼
46400	Power Corp	$12⅞	12½	12½	−⅛
24312	Provigo	818	08⅝	08⅞	+¾
30540	Royal Bank	$27⅞	27½	27⅝	
31978	SteinbrgA	$38½	38¼	38¼	−¼
2816	Videotron	$09⅛	08⅞	08⅞	+⅛

Total Sales 4,619,329 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

INDICES

NEW YORK DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Abbey Life	282	+ 10
Bass	834	+ 13
Caradon	323xr	+ 18
Empire Stores	227	+ 5
Eng. China Clays	437	+ 9
Grand Met.	495	+ 11
MEPC	534	+ 19
Marks and Spencer	179	+ 5
Morgan Grenfell	278	+ 8
Pearl	474	+ 9
Plessey	157	+ 8
Scot. & Newcastle	289	+ 7
Stanhope Props.	292	+ 15
Steel Burrill J.	205	+ 12
Ultramar	289	+ 9
Vaux	581	+ 17
Wellcome	484	+ 7
Woolworth	290	+ 7

FALLS

Royal Ins.	399	− 23

TOKYO - Most Active Stocks
Thursday, 12 May, 1988

	Stocks Traded	Closing Prices	Change on day
Toray	59.24m	882	-24
Kawasaki Heavy Ind	55.87m	413	+23
Kobe Steel	48.40m	364	+7
Toshiba	24.40m	855	ech
Kayaba	23.05m	711	+21
Citizen	21.97m	710	-74
Mitsui Mining and Smelting	19.02m	500	+19
Keisei Elec Railway	16.84m	967	+17
Cosmo Oil	16.00m	684	+14
Tokyu Land	14.49m	922	-34

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	19	449	23⅜	22⅞	23¼	+⅛
27	10½	AGS s			14	113	18½	18⅛	18⅜	
7⅞	3	AMCA				65	3	3	3	
8⅝	3¼	AM Intl				465	5⅞	3¾	3¾	
65½	26¾	AMR			10	1859	43	42⅜	42⅝	+¼
11⅛	5¾	ARX			11	46	8⅝	8¼	8¼	−⅛
72⅞	40⅛	ASA	3	6.0		324	43½	42¾	43½	+⅛
22⅞	9½	AVX			12	181	18¾	18½	16½	
66⅝	40	AbtLab 1.20		2.8	15	5559	43⅜	42⅞	43	−⅛
28	15⅜	Abitibi g 1				54	16½	16¼	15½	+¼
16¾	8½	AcmeC .40		3.7		390	11⅛	10¾	10⅞	−⅝
10½	6⅝	AcmeE .32b		4.6	22	1	7	7	7	
20	14⅛	AdaEx 3.05e		20.		44	15⅜	15¼	15¼	
19¼	6⅞	AdamM .24		1.5	13	178	16¼	15⅞	16⅛	+½
24⅞	7½	AMD				6035	14½	13⅞	14½	+⅝
56¾	29¼	AMD pf 3		7.6		124	39¼	38¾	39¼	+¼
11⅛	4⅝	Adobe			12	180	7½	7¼	7½	
20¼	16¼	Adob pf 1.84		19.		2	17⅞	17⅞	17⅞	+⅛
21¾	17½	Adob pf 2.40		12.		2	20¾	20¾	20¾	
15⅞	6⅞	Advest .12a		1.8	7	43	6⅝	6½	6⅝	+⅛
64¼	39½	AetnLf 2.76		6.9	6	7093	40⅝	39¾	40⅛	+⅜
88½	41	AflPub .40		.8	44	482	52¼	50½	51⅞	+1⅝
23¾	13	Ahmans .88		6.2	10	2425	14⅝	14¼	14¼	−¼
4⅞	1¾	Aileen				66	3⅛	3	3⅛	−⅛
53⅞	29	AirPrd 1		2.2	16	824	46¼	45¾	46⅛	−⅛
30	11⅛	AirbFrt .60		3.5	23	133	17½	17⅛	17⅛	+⅜
18½	6¾	Airgas			15	73	11⅞	11⅞	11⅞	
19¾	13½	Airlease 2.30		13.	19	16	18¼	18⅛	18⅛	−⅛
10⅛	7⅝	AlaP dpf.87		9.3		243	9⅜	9¼	9⅜	+⅛
99	81½	AlaP pf 9		9.9		z160	91	90½	90½	−¼
102	86½	AlaP pf 9.44		9.8		z360	96	95	96	+1½
91⅛	78	AlaP pf 8.16		9.7		z50	84	84	84	
88½	77	AlaP pf 8.28		9.7		z188	85	84	85	+1½
24	12¼	AlskAir .16		.8	17	1097	19½	16	19⅛	−⅛

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

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U U U

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24 5/8	11 3/4	UDC	2.40	13.	8	58	18 1/2	18 1/4	18 1/4	−1/4
30	21 3/4	UGI	2.14	7.7	8	515	28 1/4	27 3/4	27 3/4	−1/2
13 3/4	4 1/2	UNCInc01e		.1	18	1981	10 3/8	10	10 1/8	−1/8
27 3/8	15 3/8	UNUM	.48	2.3	10	473	21 1/4	21	21	−1/4
45 1/4	30 1/4	USFG	2.64	8.7	7	1215	30 3/4	30 3/8	30 1/2	+5/8
48 3/4	41 1/4	USFG pf4.10		9.3		45	44	43 3/4	44	+1/2
55 7/8	23 1/2	USG	1.12b	2.5	14	6876	44 1/2	44	44 3/8	
29	10 1/4	USLICO88		4.7	6	10	20 1/2	20 3/8	20 3/8	−3/8
32 7/8	19 1/2	UST s	1.48	5.1	12	918	29 3/8	29	29 1/4	+1/4
39 3/8	21	USX	1.20	3.8	22	4633	31 1/4	30 7/8	31 1/4	+1/2

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
41 1/4	19 1/2	Wrigly s	.64	1.9	18	286	34 1/2	33	33 1/4	−3/4
2 7/8	3/8	Wurltch				6	7/8	1/8	1/8	
17 1/2	7	WyleL s	.28	3.1	10	47	9	8 7/8	9	+1/8
30 3/8	14 1/2	Wynns	.80	3.8	50	4	20	20	20	

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
65	50	Xerox	3	5.7	10	1600	52 5/8	52	52 5/8	+1/4
50 1/4	49 1/4	Xerox pf				3	50	50	50	+1/4
35 3/4	16 1/2	XTRA	.64	2.1	15	x3	29 7/8	29 7/8	29 7/8	+1/4
26 3/4	19 1/2	XTRA pf1.94		7.4		x20	26 1/4	26 1/4	26 1/4	+3/8
47 1/2	17 1/2	Yorkln			14	661	43 1/2	43	43 1/4	−1/4
7 1/4	2 1/4	Zapata				92	3 1/4	3 1/8	3 1/4	−1/8
37	13 1/8	Zayre	.48	1.8	11	2874	22 7/8	22 1/8	22 3/8	+1/8
33 5/8	10	ZenithE				2809	21 3/8	20 1/2	20 7/8	+1/8
15 3/4	16	Zenin n				294	10 1/8	18	18	
11 1/2	1	vjZenLb				609	1 3/8	1 1/4	1 3/8	+1/8
24	13 1/2	ZenNtl	.80	3.6	10	537	22 1/4	22	22	−1/4
20 3/8	11 3/8	Zero	.40	3.6	14	65	13 7/8	13 1/2	13 1/2	−1/2
30 3/4	15	Zurnin s	.88	3.4	14	146	20 5/8	20 1/8	20 1/4	−1/8
10 3/8	7 5/8	Zweig	1.34e	13.		547	10 1/8	10	10 1/8	+1/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

Continued on Page 43

AMERICA

Equities stabilise in modest trading

Wall Street

THE EQUITY market stabilised yesterday after Wednesday's sharp fall caused by concern thet international interest rates could be heading higher, *writes Janet Bush in New York.*

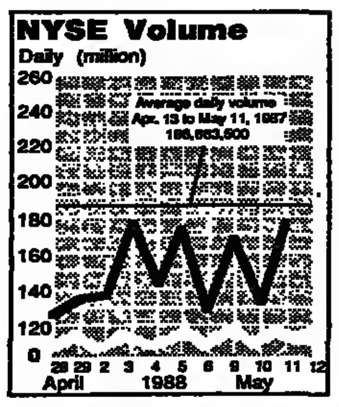
The Dow Jones Industrial Average closed 2.15 points higher at 1,988, having given up most of a 12-point morning gain. Volume was modest with just under 144m shares changing hands.

US Treasury bonds fluctuated in a narrow range as dealers spent the day preoccupied with the last leg of the Treasury's quarterly refunding, a sale of 30-year long bonds.

By late trading, short maturities stood up to 1/32 point higher while the Treasury's benchmark long bond was quoted 1/32 point lower to yield 9.211 per cent.

A lot of the bad news on interest rates is now out of the way and the sense of panic seemed to have aased. US banks have moved their prime rates to 9 per cent and financial markets have had some time to reconsider their over-reaction to reported remarks by Mr Nigel Lawson, the UK Chancellor of the Exchequer, about a possible co-ordinated rise in interest rates under some circumstances.

In Tokyo, a senior nnnamed official at the Ministry of Finance was reported as suggesting that Japan would not follow the US in pushing up interest rates.



While Wednesday had seen much gloomy talk about a further tigbtening of Federal Reserve policy and increases in interest rates overseas, a sense emerged yesterday thet the tightening had been completed.

Mr Wayne Angell, Fed Governor, appeared to hint that the Fed might not tighten monetary policy further as some market observers seemed to be expecting. He said: "Those thet are certain of what the Fedaral Reserve's next step might be, might very well be mistaken."

The only major piece of economic news yesterday was the release of figures for retail sales in April which, on balance, provided more bad news for the bond market. While April's retail sales fell 0.6 per cent compared with forecasts of an unchanged figure, the increase to March was revised up to 1.7 per cent from 0.8 per cent, leading some analysts to start raising their forecasts for first quarter gross national product growth.

The bond market has derived some cheer from the relatively healthy level of demand seen in the three-year note auction ou Tuesday and the 10-year bond sale on Wednesday. Japanesa interest appeared to have been quite heavy earlier in the week and again seemed healthy at yesterday's long bond sale, on which the average yield was 9.17 per cent.

At this stage, it is difficult to tell how much paper will be left in the hands of dealers and how mncb heavy Japanese bnying represented long-term investment rather than hopes of a short-term trading gain.

The bond market could be vulnerable next Tuesday when the next US trade figures are released. If these prove disappointing, buyers of bonds in the auctions could dump them on the market.

On tbe equity market, West Point-Pepperell, the manufacturer of household products and clothing, rose $1 to $31⅞ ou rumours that Mr William Farley, head of Fruit of the Loom, might be interested to buying the company.

Resorts International dropped $1⅞ to $29⅞ after its chairman, Mr Donald Trump, had called a halt to discussions with Mr Merv Griffin about Griffin's offer to acquire the Class A shares for $36 each and Mr Trump's Class B stock for $101m.

Lorimar-Telepictures added $⅝ to $13 on news that a company owned by investor Mr Marvin Davis was considering making a $15 a share offer for the company.

Halliburton, the oil services and angineering company, rose $⅞ to $32¾ after news it has agreed to acquire Gearhart Industries, also to the oil services business, in a stock swap. Gearhart fell $1/16 to $⅞.

Nynex added $⅝ to $62¼. The company said that it expected earnings this year to better last year's net income of $1.3bn or $6.26 a share

Canada

A SLIGHT rally to earlier trading was eroded as Toronto shares posted a small loss. Tha composite index, which had risen about 7 points in earlier trading, lost 7.81 to 3,220.87 as declines ontnumbered advances by 410 to 347 on turnover of 26.3m shares.

Among the most active stocks, Laidlaw Transportation warrants dropped 19 cants to 40 cents. Canadian Pacific slipped C$⅛ to 22¼ and Nova firmed C$⅛ to C$10¾.

Base metal issues were mixed. Noranda dropped C$¼ to C$21 while Cominco firmed C$⅛ to C$18⅞.

ASIA

Nikkei recovers from early decline

Tokyo

AFTER a weak start, small-lot buying helped Tokyo turn higher again yesterday as the bond market made a late rally and hrokerage bouses moved in to pick up stock, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 51.53 points higher at 27,212.58. The high for the day was 27,275.38 against a low of 26,928.82. Volume fell back slightly to 899m shares from Wednesday's 1.17bn and declines led advances by 482 to 430, with 152 issues unchanged.

The market opened sharply lower, dampened by drops in New York and London following comments made on interest rates by the British Chancellor of the Exchequer, Mr Nigel Lawson. Increases in the prime lending rate by major US banks were another discouraging factor.

In mid-morning, however, small-lot selling ceased and major hrokerage house dealers stepped up buying, sending the market higher.

Investors nevertheless remained concerned over a possible rekindling of inflation and higher interest rates in the US. Accordingly, they sought issues with specific incentives and priced at under Y1,000 to earn short-term capital gains.

Textile group Toray, reporting good business results, topped the active list with 59.24m shares changing hands. The issue ended Y24 higher at Y882 after opening Y4 lower.

Kawasaki Heavy Industries and Kobe Steel gained Y23 and Y7 to Y413 and Y364 respectively. Kawasaki was the second husiest issue with 55.89m shares traded and Kobe third with 46.40m shares.

Nonferrous metals were sought oo speculation that international commodity prices would soar. Mitsui Mining and Smelting advanced Y19 to Y500 and Pacific Metals Y40 to Y750.

Some issues drew buying on rumours of purchases hy speculators. Kayaba industry added Y21 to Y711 and Koito Manufacturing Y240 to Y2,390.

Keisei Electric Railway and Hitachi Seiki, which have plans to make use of their idle land, performed strongly, closing Y17 and Y70 higher at Y967 and Y1,070 respectively.

But large-capital stocks stayed out of favour. Nippon Kokan fell Y4 to Y385 and Mitsubishi Heavy Industries Y2 to Y698. Nippon Steel dipped Y6 in early trading, but ended Y1 higher at Y459.

High-technology stocks were mixed. Matsushita Electric Industrial declined Y20 to Y2,650, while NEC finished Y10 higher at Y2,160.

Citizen Watch surged Y74 to Y710, bolstered by strong demand for factory automation equipment.

Bond prices moved erratically on speculation over interest rate trends.

The yield on the benchmark 5.0 per cent government hond, maturing in December 1997, rose to 4.790 per cent in early trading from 4.725 per cent on Wednesday, affected hy selling triggered hy slumping bond markets abroad and the prime lending rate hikes by US banks.

Later, however, some dealers repurchased the benchmark issue and concern over higher interest rates faded following a remark from a Bank of Japan official that the present situation did not require Japan and the US to raise their discount rates. As a result, the yield on the benchmark issue slipped 4.700 per cent to end at 4.655 per cent.

Osaka Securities Exchange prices closed lower for the sixth consecutive trading day. The 250-issue OSE stock average ended 135.21 points down at 27,113.49, on an estimated volume of 119m shares, off 27m shares from the previous day.

Mori Seiki shed Y50 to Y2,540 and Kobe Electric Railway Y60 to Y1,080. But Kinki Nippon Railway closed Y70 higher at Y1,220.

Hong Kong

THE SHARP overnight fall on Wall Street pushed share prices down, although they ended off their lows after Tokyo recovered and bargain-hunters appeared.

The Hang Seng index lost 25.48 to 2,508.88 on turnover worth HK$871m against HK$816m on Wednesday.

Main losers included Hang Seng Bank, down 30 cents at HK$26, and Jardine Matheson, 20 cents lower at HK$11.70.

In properties, Cheung Kong shed 10 cents to HK$7.25, Sun Hung Kai 10 cents to HK$10.60 and Hongkong Land 10 cents to HK$7.40.

Against the trend, Cathay Pacific rose 5 cents to HK$7.60 and Green Island Cement added 10 cents to HK$15 on strong demand.

NZ shares show resilience

NEW ZEALAND shares eased yesterday after the sharp falls in London and New York on Wednesday, hnt hrokers expressed satisfaction at the market's resilience, *AP-DJ reports from Wellington.*

There was some negative reaction to the decision by Eqniticorp Holdings, tbe investment company, to shift its base to Hong Kong and undergo a major restructuring.

Equiticorp fell 6 New Zealand cents to 76 cents and its subsidiary, Feltex, which is central to the reorganisation, dropped 5 cents to NZ$2.50.

But brokers said the moves were neutral for the market as a whole.

The Barclays Index dipped 1 per cent, or 18.77 points, to 1,919.79.

Mr Alan Wills of Hendry Hay Mcintosh said Equiticorp's move was "a comment on our capital and equity markets" by a company that had outgrown New Zealand.

Mr Tim Snedden of Buttle Wilson said the market was cautious about the restructuring but he felt it would eventually be seen as positive for Equiticorp.

Singapore

CONCERN over possible global interest rate rises took prices lower in early dealings hut losses were pared by later bargain-hunting and the Straits Times Industrial index eased 1.81 to 964.5.

Selected blne chips bore the brunt of the selling, although price changes were generally marginal.

Sime Darby lost 1 cent to S$2.78 with about 1m shares traded and NOL ended unchanged at S$1.43 on volume of 944,000 shares.

Ajinomoto, which generally sees little trade, led the declines, falling 97 cents to S$1.88.

Australia

TRADING followed a similar pattern to that of Hong Kong and Singapore, with share prices falling heavily in early trading before recovering on bargain-hunting to end down, but off the day's lows.

The All Ordinaries index finished 17.5 lower at 1,389 in moderate trading.

Banks remained active in advance of their results which are due next week. ANZ lost 11 cents to A$4.05, Westpac 8 cents to A$5.86 and NAB 4 cents to A$5.26.

News Corp fell 40 cents to A$12.35 before the release of its third quarter results, and BTR Nylex shed 20 cents to A$7.20 after Wednesday's heavy trading.

Retail and transport stocks also saw falls, with Coles Myer down 22 cents at A$7.82 and TNT off 6 cents at A$4.26.

Hudson Conway rose 3 cents to 95 cents after news of its UK public house deal with Elders. In turn, Elders saw good trading, easing 6 cents to A$2.84.

BZW Meares, a Sydney-based subsidiary of BZW of the UK, said local institutions were holding large amounts of cash and were thus prepared for any sudden retreat by the market. At the same time, they were in no hurry to commit funds to equities, it said.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MAY 12 1988					WEDNESDAY MAY 11 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	118.06	−1.9	92.85	102.16	4.31	120.38	94.58	103.37	122.50	91.16	139.06
Austria (16)	90.82	+0.1	71.43	79.07	2.65	90.69	71.25	79.07	98.18	84.35	89.69
Belgium (65)	127.15	+0.7	100.00	110.06	4.54	126.25	99.19	110.06	139.89	99.14	122.33
Canada (125)	118.57	−0.2	93.26	105.74	3.19	118.81	93.34	105.99	125.49	107.06	131.09
Denmark (39)	120.41	−0.2	94.70	105.75	2.74	120.65	94.79	105.75	123.36	111.42	117.99
Finland (25)	129.30	−0.8	101.70	108.46	1.94	130.29	102.36	109.29	130.29	106.78	–
France (121)	88.68	−0.1	69.75	79.22	4.05	88.76	69.74	79.22	90.19	72.77	119.51
West Germany (99)	72.44	−0.1	56.98	63.23	2.93	72.51	56.97	63.23	80.79	67.78	94.02
Hong Kong (46)	99.81	−1.2	78.50	100.14	4.56	101.01	79.36	101.30	105.83	84.90	112.66
Ireland (18)	122.09	−0.6	96.03	108.23	4.27	122.80	96.48	108.65	123.91	104.60	131.65
Italy (102)	73.23	−2.2	57.60	68.37	2.76	74.88	58.83	69.77	81.74	62.99	104.61
Japan (456)	172.62	−0.3	135.77	135.58	0.53	173.17	136.06	136.01	177.27	133.61	159.53
Malaysia (36)	129.88	−0.4	102.15	128.99	2.81	130.36	102.42	129.51	133.24	107.83	161.37
Mexico (14)	133.36	−0.5	104.89	333.17	1.50	134.09	105.35	335.73	176.90	90.07	166.45
Netherland (38)	104.59	−0.1	82.26	89.86	5.16	104.70	82.26	89.86	110.66	95.23	119.38
New Zealand (22)	76.87	−0.8	60.46	59.32	5.54	77.52	60.90	59.82	79.15	64.42	93.27
Norway (25)	113.90	−0.4	89.58	95.27	3.18	114.36	89.85	95.27	132.23	98.55	133.54
Singapore (26)	110.84	−0.5	87.18	102.39	2.44	111.35	87.49	102.81	114.93	97.99	134.62
South Africa (60)	122.99	−0.4	96.73	79.08	5.31	123.46	97.00	79.08	139.07	118.16	173.93
Spain (42)	146.62	−1.9	115.32	124.13	3.47	149.39	117.38	126.36	155.36	130.73	111.51
Sweden (38)	120.76	−0.3	94.98	105.26	2.68	121.12	95.16	105.26	124.75	96.92	117.84
Switzerland (56)	76.29	−0.1	60.00	66.00	2.59	76.40	60.03	66.00	86.75	76.22	100.00
United Kingdom (329)	138.66	+0.8	109.06	109.06	4.41	137.62	108.13	108.13	141.18	123.09	147.57
USA (581)	103.42	+0.3	81.34	103.42	3.76	103.13	81.03	103.13	110.51	99.19	120.32
Europe (1013)	107.04	+0.1	84.19	89.41	3.93	106.93	84.02	89.25	110.71	97.01	122.19
Pacific Basin (674)	167.64	−0.4	131.85	132.82	0.71	168.27	132.21	133.29	172.26	130.81	156.96
Euro-Pacific (1687)	143.40	−0.2	112.79	115.59	1.68	143.74	112.93	115.81	147.53	120.36	143.09
North America (706)	104.23	+0.2	81.98	103.57	3.72	103.97	81.69	103.32	111.28	99.78	120.89
Europe Ex. UK (684)	87.50	−0.5	68.82	77.03	3.48	87.95	69.10	77.37	92.81	80.27	106.45
Pacific Ex. Japan (218)	107.53	−1.5	84.58	97.37	4.33	109.17	85.78	98.43	111.90	87.51	125.71
World Ex. US (1886)	142.34	−0.2	111.95	114.99	1.76	142.67	112.09	115.21	146.49	120.26	143.01
World Ex. UK (2138)	126.23	−0.2	99.28	111.22	2.16	126.44	99.34	111.38	130.28	111.77	132.83
World Ex. So. Af. (2407)	127.35	−0.1	100.16	111.23	2.36	127.44	100.13	111.29	130.96	113.26	133.88
World Ex. Japan (2011)	105.58	+0.1	83.04	98.24	3.84	105.46	82.86	98.07	110.99	100.00	122.08
The World Index (2467)	127.33	−0.1	100.14	111.01	2.38	127.42	100.11	111.06	130.92	113.37	134.14

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Markets closed May 12: Austria, Belgium, Denmark, France, West Germany, Netherland, Norway, South Africa, Sweden and Switzerland.

Alison Maitland on the spin-offs of rising affluence

Japan's big-spenders boost leisure and retail stocks

AS FASHIONABLE young Westerners give up their beds to be close to the floor on a futon, their upwardly mobile Japanese counterparts are rolling up their futons and climbing into occidental-style beds.

It is just ona sign of the far-reaching changes to Japanese lifestyle that are being fashioned by growing affluence, soaring consumer spending and a shift of emphasis from work to leisure.

The spin-offs are plentiful for the stock market, where tha growing preference for western night-time comfort has helped focus attention this year on France Bed, Japan's largest bed maker.

Its share price bounced to a peak of Y1,390 ($11) in March, 26 per cent higher than its 1987 record and 114 per cent above its post-crash low.

About 46 per cent of Japanese households now have beds rather than the traditional futon bedding. But the proportion rises to 66 per cent to the top income bracket and falls to 30 per cent in the lowest, which leads Baring Securities, the UK firm, to conclude that increasing wealth is likely to mean more bed sales. Indeed, France Bed's sales have risen 21 per cent over the past year.

A combination of higher wages, lower interest rates, tax cuts and a strong yen are encouraging the Japanese to spend more and enjoy themselves more – and retail and leisure stocks have benefited as investors anticipate rising earnings.

Despite last October's crash, the resilient Japanese market managed a 2 per cent rise in yen terms in the year to the end of April, according to figures from UK brokers County NatWest WoodMac.

Over the same period, however, the household durables sector surged 62 per cent, entertainment and leisure jumped 49 per cent and strong advertising revenue boosted media shares 45 per cent.

Electronics stocks rose 42 per cent, cars 41 per cent – driving ranks high on the list of preferred leisure activities – and retailers 34 per cent.

Some individual shares have performed even more strikingly. Nagasakiya, a chain store operator which sells bedding, household appliances and clothing – inclnding the mnch-prized *kimono* – soared 240 per cent over the year.

Seiyu, a snpermarket group which also runs ticket and travel agent services, rose 90 per cent. Takashimaya, the lnxury department store, has been one of the strongest retail stocks this year, climbing 61 per cent to the end of April against the market's 27 per cent rise in the first four months.

Baring Securities thinks the consumer spending theme potentially has a long way to run. Stratospheric property prices have put home ownership out of the reach of many Japanese, who are spending their money on smaller – often luxury and imported – items instead.

"They save and save, but there comes a point where they can't go on," says Miss Patricia Anderson, an assistant director and Japan specialist at Baring. "People have too much money for little things and too little for big things."

So when it comes to leisure stocks, the Japanese are sure they are on to a good bet.

There was another reason for the spring in France Bed's share price earlier this year; better distribution may render some of the company's factories redundant, and investors have been speculating that the sites could be developed for lucrative leisure resorts.

With greater disposable income and an ageing population with more time on its hands, entertainment and relaxation is becoming big business. Next February, financial institutions will stop working on Saturdays and move to a five-day week, paving the way for shorter hours and longer holidays for millions of Japanese.

Companies like Korakuen have seen their shares soar this year. An urban amusement operator, Korakuen owns the "Big Egg" all-weather stadium where pop star Mick Jagger performed earlier this year. Speculative interest drove its share price to a high of Y4,480 to February, 35 per cent above its 1987 peak.

Yomiuri Land, which leases horse and motorcycle race tracks and operates golf links, has climbed 52 per cent this year, while Yamaha Motor, which is diversifying away from motorcycles into leisure boats, is currently around 18 per cent above its 1987 high.

Interest in resort development, real or rumoured, has focused attention on stocks in such unlikely industries as shipbuilding, steel, heavy machinery and general trading, where many companies own idle land and are eager to diversify.

But the leaders in this high-growth area are the railway companies, according to Nomura Securities. Japanese railways own large tracts of land along their lines, which they are developing for leisure purposes.

Tokyu Corp, up a solid 36 per cent this year, has a hotel chain, property interests and a tourism division and it owns shops above its railway stations to catch arriving travellers.

Seibu Railway, up 37 per cent, operates restaurants and golf clubs along its lines, and has its own professional baseball team, the Seibu Lions.

Keisei Electric Railway has jumped more than 60 per cent this year, helped by a strong performance by Tokyo Disneyland, part of Oriental Land, in which Keisei is a major shareholder.

Often the interest is highly speculative. Nippon Dream Kanko is devoted to leisure services, with subsidiaries in theatre, restaurants and amusement parks. Its share price, quoted on the Osaka exchange, has more than doubled this year to a high of Y1,720, helped by reports that Daiei, Japan's largest supermarket chain operator, would take a stake in it.

Investors are clearly hoping that buying a dream stock will help them sleep peacefully on their futons – or should that be beds?

EUROPE

Madrid and Milan fall on interest rate fears

CONCERN over interest rates hit equities in Milan and Madrid yesterday, and Helsinki also ended lower. Other European bourses were closed for Ascension Day, *writes Our Markets Staff.*

MADRID closed sharply lower on fears that interest rates might be on the way np again, but volumes stayed at low levels.

The general share index fell 4.95 to 264.28, reacting to the previous day's report of possible co-ordination of interest rate rises among industrial nations.

Prices had already heen marked down somewhat in after-hours trading on Wednesday. "The bourse traditionally reacts late, but the news is quite pertinent because they are desperate not to have to increase interest rates," said one analyst. Domestic rates have been falling gradually over the past few months.

Early panic yesterday hit car stocks, among the first to be priced in the bourse session, and Motor Iberica lost 30 percentage points to 255 per cent of par.

The mood improved slightly, but utilities, which tend to have high borrowings, still suffered. Electrical ntility Iberduero lost 3.5 points to 126.3.

Banks were well-supported, and Banesto and Banco Central closed unchanged – at 1,125 and 1,245 – after Banesto denied they were in merger talks.

MILAN suffered sharp falls in low volume, hit by interest rate worries and concern about possible tax measures to help cut the budget deficit. The MIB index shed 20, or 2 per cent, to 1,007.

Bourse authorities delayed opening fixings for Cir and subsidiaries Buitoni and Parugina pending futher information on Cir's plans to absorb the two. Cir later closed down L185 at L5,460, Buitoni down L800 at L8,410 and Perugina up L120 at L4,060.

HELSINKI finished lower in dull trading, with the Unitas all share index off 1.5 at 663.3.

LONDON regained its nerve after a cantious start following Wednesday's sharp fall, and the FT-SE 100 index added 15.5 to 1,772.3. But institutional investors continued to hold back amid some uncertainty and turnover contracted to 344m shares.

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